THE DEPARTMENT OF VETERANS AFFAIRS FISCAL YEAR 2008 BUDGET PRIORITIES

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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THE DEPARTMENT OF VETERANS AFFAIRS FISCAL YEAR 2008 BUDGET PRIORITIES

THURSDAY, MARCH 1, 2007

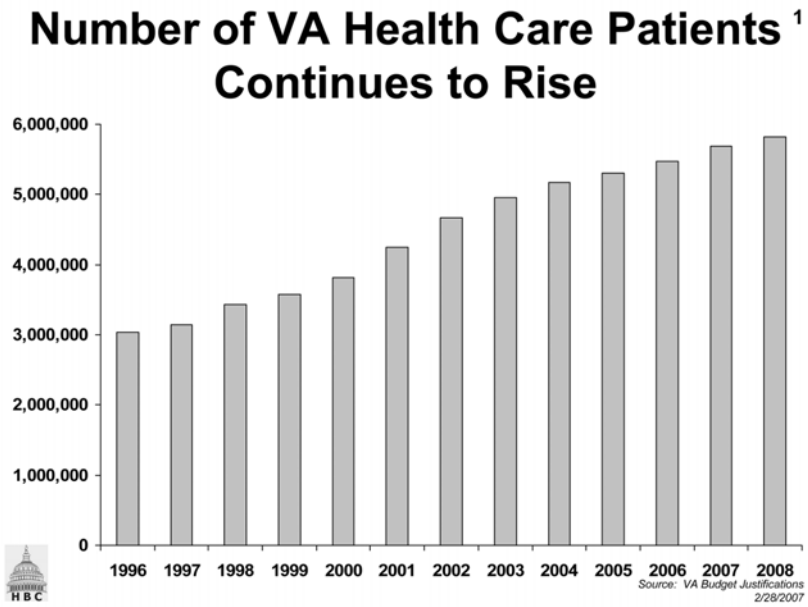
HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 210, Cannon House Office Building, Hon. John M. Spratt presiding.

Present: Representatives Spratt, Edwards, Cooper of Tennessee, Boyd, McGovern, Scott, Hooley, Baird, Bishop, Etheridge, Moore, Kaptur, Ryan, Garrett, Hensarling, and Tiberi.

Chairman SPRATT. I call the hearing to order, and Secretary Nicholson, welcome. Welcome, and thank you for joining us to discuss something of great importance to you and to us and to all Americans: the budget for the Department of Veterans Affairs. Our purpose today is to learn more about the President's budget request for 2008 for the VA so that we can determine whether it is adequate to meet our commitments to the veterans who have served this country so well and so honorably. Your testimony and answers to our questions will help inform us as to how we will put together our budget resolution providing for veterans benefits.

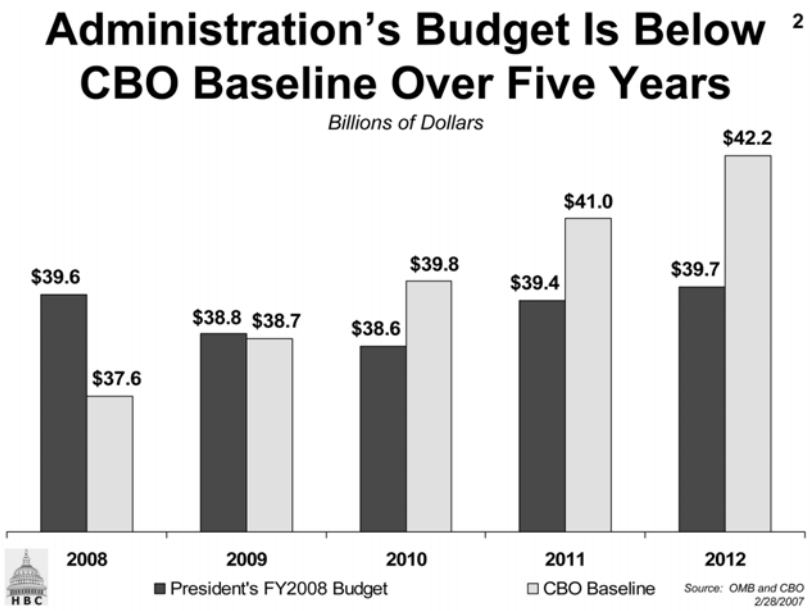
Today there are more than 23 million veterans. More and more of these veterans are relying on VA healthcare each year. If I could have chart number one just to show you graphically what I am talking about.



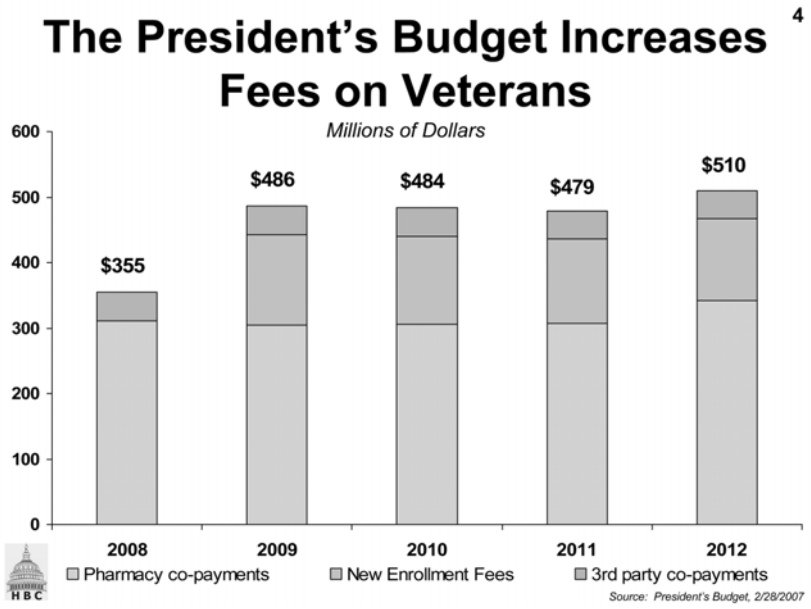
The number of VA healthcare patients continues to rise. As you can see here, it is well above five million in that particular case, a substantial number. According to the Veterans Department, in 2008 the VA will provide healthcare to more than five million veterans, as shown on this chart, and 500,000 non-veterans.

This Committee is interest in knowing how the VA developed its estimates upon which this budget is based and the related budget request. These questions are critical to making decisions about the VA's budget. About half of that budget goes to pay disability compensation, pensions, and other benefits that operate under permanent law, so-called entitlements. We may have some questions about those benefits in this hearing, but today they are not our primary focus. Today our primary focus is on the other half of the VA budget, the half which Congress appropriates every year. Almost 90 percent of these funds go to Veterans Healthcare Administration.

The President's budget for 2008 increases this appropriated funding for veterans to $39.6 billion, a substantial increase. That level is more than the appropriation for 2007 and more than the Congressional Budget Office's baseline budget estimate for 2008. The next chart, chart number two, will show you graphically what I mean.



So it is a substantial increase and that is good news. But after 2008 the administration's budget fund veterans care at billions of dollars below what CBO calls its baseline, that is the amount of money necessary to keep pace with current services so that there are no, at least no deletions or no diminishment of coverage. If you put up chart number four you will see further what I am saying.



The President's budget increases fees as well as decreasing the Veterans Healthcare allotment. In the out years fees would be increased substantially. And one of the assumptions you make is these fees will be available to pay for services and the fact of the matter is these fees have been proposed repeatedly. They have been around the track time after time and they have never yet made it to the finish line. And I think it is doubtful that they will survive this year, either.

Approximately 1.4 million men and women have served in the various wars. Some of the veterans who have served have sustained significant injuries, particularly in the current War in Iraq, have sustained traumatic brain injuries and spinal cord injuries. And VA healthcare will be critically, absolutely critically, important to them for years to come. Others will suffer now or in the future from Post Traumatic Stress Syndrome. We want to better understand from your testimony and the questions we put to you how your budget will meet this critical need which is so emblematic of the situation in Iraq and Afghanistan today, where multiple injuries like this are being incurred.

The Department of Veterans Affairs has received accolades for healthcare and medical research. Just last year, the VA was recognized for innovative, computerized patient record system. I have a daughter and a son-in-law at Duke and they both work from time to time in the VA Hospital. They have told me it is a good system. It is a system that is user friendly, but also very comprehensive and we commend you for that. At the same time, we remain aware that just a few years ago the VA's original budget request significantly underestimated the increased number of patients the VA would see and the amount of funding that would be required to treat them. We can all agree that we do not want to see that happen again.

Ultimately, we are here to do our best to determine the budget necessary to fulfill our promises to the veterans of this country. These are promises that rank high among those that must be kept by the government. We want to see that the promises that we have made to them, particularly in the area of veterans healthcare, will be honored. Not only carried out and fulfilled, but done in the best possible form so that they get medical care at the VA medical care system that is equal to any care received anywhere in the country.

Mr. Secretary, for all of these reasons we look forward to your testimony. But before going to your testimony, I would like to recognize Mr. Ryan, our Ranking Member, for a statement of his own.

[The prepared statement of Chairman Spratt follows:]

PREPARED STATEMENT OF HON. JOHN M. SPRATT, JR.,
CHAIRMAN, COMMITTEE ON THE BUDGET

Secretary Nicholson, welcome and thank you for joining us to discuss the budget for the Department of Veterans Affairs (VA). Our purpose today is to learn more about the President's budget for 2008 and later years so that we can determine whether it is adequate to meet the Nation's commitments to the veterans who have served this country so honorably. Your testimony and answers to our questions will help to inform us as we prepare our own budget.

Today, there are more than 23 million veterans. More and more of these veterans are relying on VA health care every year. According to the Department of Veterans Affairs, in 2008, VA will provide health care to more than 5 million veterans and

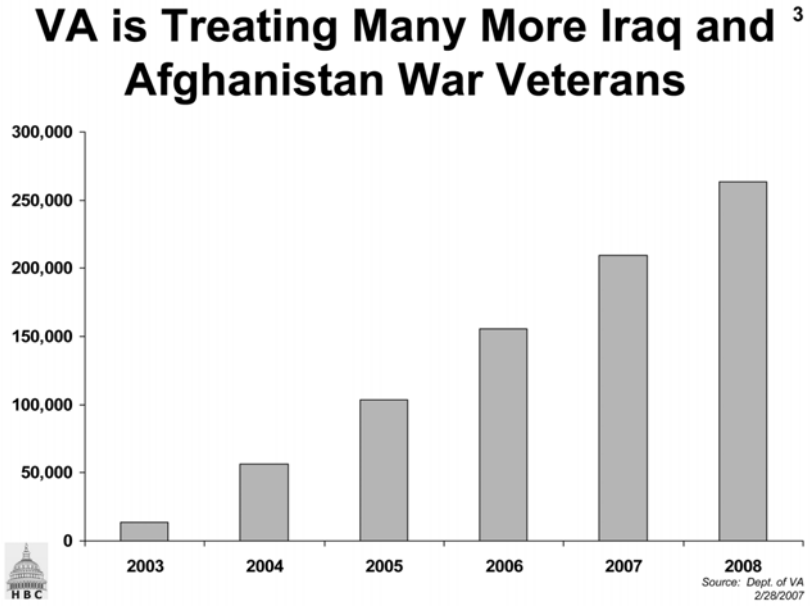
500,000 non-veterans. This committee is interested in learning more about how VA developed its estimates and the related budget request.

These questions are critical to making decisions about VA's budget. About half of VA's budget goes to pay disability compensation, pensions, and other benefits that operate under permanent law. We may have some questions about these benefits in this hearing, but they are not our primary focus today.

Rather, this hearing will focus on the other half of VA's budget, which the Congress appropriates each year. Almost 90 percent of these funds go to veterans' health care.

The President's budget for 2008 increases this appropriated funding for veterans to $39.6 billion. That level is more than the appropriations for 2007 and the Congressional Budget Office's baseline budget estimate for 2008. After 2008, however, the Administration's budget cuts funding for veterans and is billions of dollars below the CBO baseline over the five year period. In addition, this budget again proposes to increase fees on veterans for their health care by millions of dollars.

It is also important for us to learn more about how VA is helping the veterans of the wars in Iraq and Afghanistan. The number of these veterans continues to rise significantly.



Approximately 1.4 million men and women have served in these wars. According to VA, about 155,000 of them received VA health care treatment in 2006. VA projects that this number will grow to 263,000 in 2008.

Some of these veterans have experienced severe injuries like traumatic brain and spinal cord injuries, and VA health care will be important to them for many years to come. Others of them will suffer now, or in the future, from Post-Traumatic Stress Disorder. We want to better understand how this budget meets their needs.

The Department of Veterans Affairs has received many accolades for its health care and medical research. Just last year, VA was recognized for its innovative computerized patient record system. These acknowledgments are well-deserved, Mr. Secretary, and I know you would agree that they are most important because they represent real advancements for this Nation's veterans.

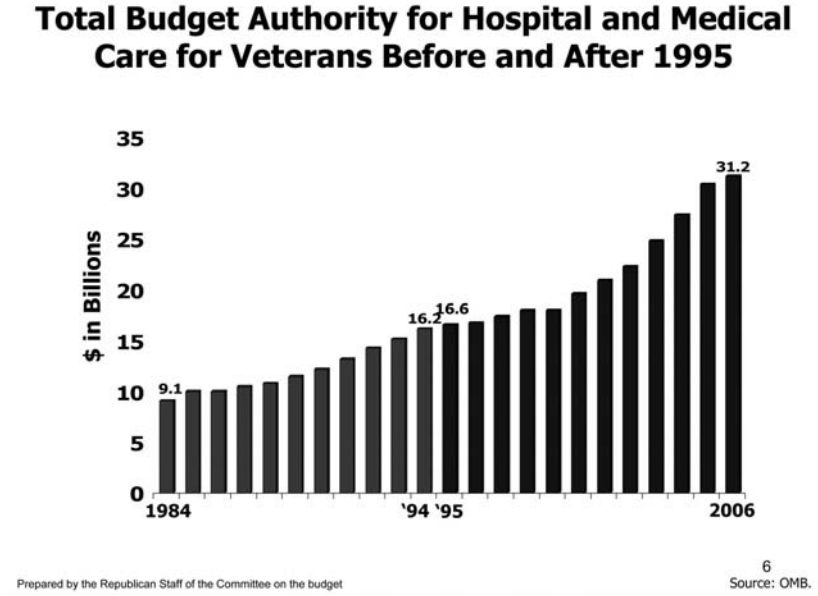
At the same time, we remain aware that just a few years ago, VA's original budget requests significantly underestimated the increased number of patients that VA would see and the amount of funding needed to treat them. We can all agree that we do not want to repeat that situation.

Ultimately, we are here to do our best to determine the budget necessary to fulfill our commitments to the veterans who served this country in the past and the future veterans who are serving it so ably and honorably today.

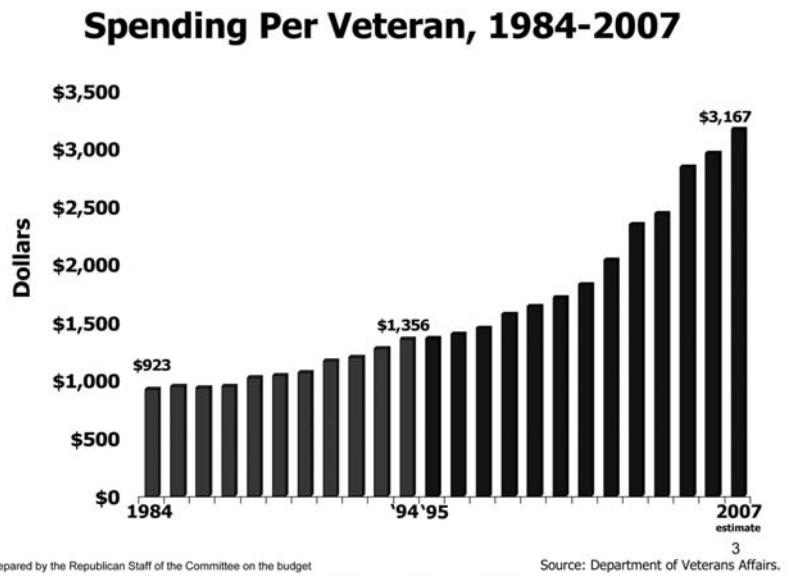
Mr. Secretary, I look forward to your testimony.

Mr. RYAN. All right, thank you Chairman. Thank the Chairman for yielding. And, you know, anybody that watches television or reads the news, you might think that we Americans are always arguing with one another and that is especially true here in Congress. But in fact, there are many things that we Americans agree on. And that is we place a high value on those who serve our country and we are very proud of them. I, along with Mr. Andrews who is on this Committee, went to Iraq last week to meet with our soldiers and our troops to see just the valiant efforts, just the incredible amount of heroism that is on display today for our country. And so, this is an area where Republicans and Democrats together agree and believe that we owe a great debt of thanks and gratitude to our nation's men and women who served in our armed forces.

That degree of honor has also been reflected in the budget and policy actions Congress has taken in recent years, and I want to just bring up a couple of examples just to show the kind of level of commitment that has been displayed here. If you could bring up slide six, please?



Take a look at the total budget authority for hospitals and medical care for veterans before and after 1995. If you take a look at the dedication to veterans healthcare, since 1995 the budget was $16.6 billion. This last year, in 2006, it was $31.2 billion, an almost near doubling of the VA medical care budget. If you go to slide three, please.



Take a look at spending per veteran, which really goes to the heart of the issue because as Mr. Spratt noted we have increased those who have been consuming veterans healthcare. Spending per veterans started at $1,366 in 1995 to today, this year, $3,167 in 2007, a 132 percent increase over the last ten years on spending per veterans healthcare. So clearly, Congress has demonstrated its priorities in honoring our veterans and meeting the needs of the VA healthcare.

We are going to disagree on how best to meet those needs. But it is wrong to say that this area has been abjectly neglected. A few years ago, Congress enacted the most sweeping change in concurrent receipt policy in more than one hundred years. For the first time, military retirees who were 50 percent or more disabled plus all purple heart disabled began receiving concurrent receipt of their retired pay and disability compensation. Over ten years the legislation provides $22.1 billion for eligible persons. Over the past decades VA medical care has improved to the point where VA care is now some of the best medical care in the country.

This has happened under both Democrat and Republican administrations, so the credit for it is bipartisan. My own home state of Wisconsin, we have enacted CBOCs, Community Based Outpatient Clinics. Three of them in my own congressional district, a number of them throughout the State of Wisconsin, to reduce the waiting lines at our VA hospitals and to get veterans better outpatient care close to their homes and relieve pressure on some of our hospitals. So we have made substantial progress on getting the waiting lines down, on getting the care our veterans need, and improving the quality of its care.

So in the process we should constantly look for better ways to achieve this goal and to improve on the success that we have already achieved. There are clearly areas where we need to make im-

provements. There are clear areas of deficiencies. We just read some stories about Walter Reed Hospital. But it is important to note that the dedication is here, that the honor and commitment will be made, and that this is something that we ought to be able to work on on a bipartisan basis. And I am sure that this is the attitude that the Secretary and other witnesses will bear and I appreciate, Secretary Nicholson, you and the other panel witnesses coming and joining us today. And I yield the balance of my time.

[The prepared statement of Mr. Ryan follows:]

PREPARED STATEMENT OF HON. PAUL RYAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

To anyone who watches television or reads the news, you might think we Americans are always arguing with one another—and that seems even more pronounced here in Congress. But in fact there are many things we Americans agree on, and one of them is this: we place a high value on those who serve our country.

This was certainly true even before President Lincoln uttered those famous words in his second inaugural—"to care for him who shall have borne the battle and for his widow, and his orphan"—and it survives right up to this day, when those who have fought in the front lines in the war against terrorism have the respect of everyone in this country. It is why we have long had a separate agency in the Federal Government to serve veterans, and why President Reagan made that agency a cabinet-level department in the early 1980s.

It is also reflected in the budget and policy actions Congress has taken in recent years. Here are just a few examples:

• Under the past several Congresses, spending for veterans medical care increased from $18.9 billion in fiscal year 2000 to $31 billion in 2006.

• Since 2000, spending per veteran has increased 85 percent from $1,715 to $3,167.

• A few years ago, Congress enacted the most sweeping change in concurrent receipt policy in more than a hundred years. For the first time, military retirees who are 50 percent or more disabled, plus all purple heart disabled, began receiving concurrent receipt of their retired pay and disability compensation. Over ten years, the legislation provides $22.1 billion to eligible persons.

• Over the past decade, veterans medical care has improved to the point where VA care is now some of the best medical care in the country. This has happened under both Democrat and Republican administrations, so the credit for it is bipartisan—and it further proves that our veterans are important to all of us.

So despite our various differences, I'm sure all of us on this committee—and in this Congress, for that matter—agree that our respect for America's veterans—and our enduring thanks—should always be one of our highest priorities. It's because of their service that we can peacefully hash out our differences in this committee room, or on the House floor, or anywhere in the country. They have protected our freedoms—often at great sacrifice—and we should always provide the honor they deserve.

In the process, we should constantly look for better ways to achieve this goal. So if we differ about how well the Department is functioning—or how well it delivers its services, or how wisely it makes use of the funds Congress provides—it's because we put a high priority on those things. It's precisely because we honor our veterans that we should always try to make their Department better.

I'm sure that's the attitude we will all bring today as we hear from Secretary Nicholson.

Chairman SPRATT. Mr. Secretary, you may submit your statement for the record and we will have it printed in its entirety and you can summarize when and where you see fit. Thank you again for coming. The floor is yours.

STATEMENT OF R. JAMES NICHOLSON, SECRETARY, DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY ADM DANIEL L. COOPER, UNDER SECRETARY FOR BENEFITS; WILLIAM F. TUERK, UNDER SECRETARY FOR MEMORIAL AFFAIRS; DR. MICHAEL J. KUSSMAN, ACTING UNDER SECRETARY FOR HEALTH; GEN ROBERT T. HOWARD, ASSISTANT SECRETARY FOR INFORMATION AND TECHNOLOGY; AND ROBERT J. HENKE, ASSISTANT SECRETARY FOR MANAGEMENT, CHIEF FINANCIAL OFFICER

Secretary NICHOLSON. Thank you very much, Mr. Chairman, Mr. Ranking Member, members of the Committee. Good morning. I appreciate the fact that you have invited us here. I look forward to this discussion. I do have a written statement I would like to submit for the record, Mr. Chairman. And I would like to introduce my colleagues that are with me this morning. My far left, your right, is Under Secretary Bill Tuerk, the Under Secretary for Memorial Affairs. Next is Under Secretary for Benefits, Admiral Dan Cooper. My immediate left is the Acting Secretary for Health, Dr. Michael Kussman. My far right, your left, is Assistant Secretary for Information and Technology General Bob Howard. At my right is the Assistant Secretary for Management, who is also the Chief Financial Officer of the VA, Assistant Secretary Bob Henke.

Mr. Chairman, I would like to mention a few things from my written submittal. First, a mention of the media reports that have recently talked about the VA's care. And I would like to say first that I welcome the light of media scrutiny because I know the VA's 235,000 are dedicated to providing the best possible healthcare, benefits, and memorial benefits to America's veterans. The quality of VA care is widely recognized, as you have generously mentioned. It is widely recognized as the best integrated healthcare system in the United States, maybe in the world. But the fact is there is still, in spite of that, areas where improvement is needed. And there is no question that what we have all seen in these recent media reports is not what the VA or veterans, especially young combat veterans or their families, should expect. It is absolutely unacceptable for anyone of these young people and their families to have to endure the circumstances that we saw. That breaks my heart. And I want them to know that we are here to serve them, and we will do better by those cases.

To that end, additional improvement measures will be forthcoming from the VA over the next several days and weeks ahead. And we will keep you apprised as we implement those enhancements. I am committed to assuring and proving to America's veterans that even in a system that now has over one million patient visits a week that one failure is unacceptable when it comes to honoring our promise to those veterans who honored their promise to us.

So Mr. Chairman, I look forward to working with the 110th Congress in a bipartisan, bicameral way in support of our veterans. I believe that taking care of veterans is not a bipartisan or partisan endeavor. It is a patriotic mandate. I am here to discuss the President's 2008 budget proposal for the Department of Veterans Affairs. The President is requesting a landmark budget of nearly $87 billion to fund our commitment to our veterans. This budget will

allow us to expand the three core missions of the VA, those being to continue to provide world class healthcare; provide broad, fair and timely benefits; and dignified burials in shrine-like settings. It will also allow us to continue our progress toward becoming a national leader in information technology and data security.

I believe that with the right resources in the hands of the right people, anything and everything is possible when it comes to caring for America's veterans. And at the VA we already have the right dedicated people. With this proposed budget we will have the right resources as well. The $87 billion requested a 77 percent increase in veterans spending since the President took office on January 20, 2001. The medical care portion of the budget is up 83 percent.

I would like to outline very briefly the major portions of the proposed budget. In the Veterans Health Administration, as has been stated, our total request is $36.6 billion in authority. VA healthcare, overall, is the best anywhere. And that is not just me saying that as the proud Secretary, Mr. Chairman, medical journals, the national media, institutions as respected as the Harvard Medical School recently stated that we are leading this nation in healthcare delivery, safety, and technology. As I said, though, we can do better and during 2008 we expect to treat 5.8 million patients and this is more than 134,000 above the 2007 estimates. Patients in priorities one through six, that is veterans with service connected conditions, lower incomes, special healthcare needs, and service in Iraq and/or Afghanistan will comprise 68 percent of the total patient population in 2008. They will account for 85 percent of the healthcare costs. The number of these patients will grow by 3.3 percent over this fiscal year. In 2008 we expect to treat 263,000 who served in Iraq and Afghanistan. This is an increase of 54,000, or 26 percent above the number in these campaigns for this year.

Access to care, with the resources requested, the Department will be able to enhance access. 96 percent of primary care appointments and 95 percent of specialty care appointments are currently scheduled within thirty days of the patient's desired date. We will minimize the number of new enrollees waiting for their first appointment to be scheduled. I am pleased to say that in the last eight months we reduced this number by 94 percent and we will continue to place strong emphasis on this effort.

Mental health services, this budget requests nearly $3 billion to continue our effort to improve access to mental health services across the country. The VA is a respected leader in mental health and PTSD research and care. About 80 percent of the funds for mental health go to treat seriously mentally ill veterans, including those suffering from Post Traumatic Stress Disorder.

The medical research budget includes $411 million to support our unparalleled medical and prosthetic research programs. This amount will fund nearly 2100 high priority research projects to expand knowledge in areas most critical to veterans particular healthcare needs. Most notably in the area of mental health, mental illness, $49 million, aging $42 million, health services delivery improvement $36 million, cancer $35 million, and heart disease $31 million. Nearly 60 percent of our research budget is devoted to OIF/OEF healthcare issues.

Polytrauma care, I have traveled to three of our four polytrauma centers and there is no doubt that these centers of compassion and competency are where miracles are performed every day. In response to the need for such specialized medical services, the VA has expanded from these four traumatic brain injury centers, which are in Minneapolis, Palo Alto, Richmond, and Tampa, to a broader center of polytrauma care that will now be twenty-one such centers and clinical support teams around the country providing state of the art treatment that will be closer to injured veterans' homes. Because of traumatic brain injury, or TBI, can be present without any visible injuries from explosions, this spring we will at the VA initiate a TBI screening program for all recent combat veterans from Iraq and Afghanistan. And this will take place in all of our 155 major medical centers.

One of the most important features of the President's 2008 budget is to ensure that servicemembers transition from active duty status to mobilized Guard and Reserve to civilian life continues to be as smooth and as seamless as possible. And we will not rest until every seriously injured or ill serviceman or woman returning from combat receives the treatment they need in a timely way.

Let me speak a minute about veterans benefits. The VA's primary focus within the administration of benefits remains unchanged: delivering timely and accurate benefits to veterans and their families. Improving the delivery of compensation and pension benefits has become increasingly challenging, however, over the past few years. The volume of claims applications has grown substantially and it is now the highest it has been in fifteen years. We received more than 806,000 claims last year. We expect this high volume of claims to continue as we are projecting the receipt of about 800,000 this year and next year each. However, through a combination of management and productivity improvements, and our 2008 request which is to add approximately 450 additional staff, we will improve our performance while maintaining our high quality. With this budget we expect to improve the timeliness of processing claims. We will make better use of new technologies and have more trained people to process and evaluate these claims. As I said, we project that we can reduce our claims processing time while maintaining our quality and are committed to do so.

Finally, the National Cemetery Administration, Mr. Chairman. We expect to perform nearly 105,000 internments in this fiscal year of 2008, which is an 8.4% increase higher than the number of internments we performed last year. These are primarily the result of the aging World War II and Korean War population and the opening of new cemeteries. The President's 2008 budget requests include $167 million in operations and maintenance funding to activate six new national cemeteries and to meet the growing workload at existing cemeteries by increasing staffing and funding for contract maintenance, supplies, and equipment.

The capital programs in this budget request $1.1 billion in new authority for capital programs, which include $727 million for major construction, $233 million for minor construction, $85 million in grants to states for extended care facilities, and $32 million in grants to build state veterans cemeteries. The 2008 request for construction funding for our healthcare programs is $750 million.

These resources will be devoted to continuing the Capital Asset Realignment for Enhanced Services, better known as CARES. Over the last five years, $3.7 billion in total funding has been provided for CARES projects. Within our request for 2008 are major construction resources to continue six medical facilities now underway. They are in Pittsburgh; Denver; Las Vegas, this will complete funding for Las Vegas; Orlando; Lee County, Florida; and Syracuse, New York. Funds are also included for six new national cemeteries in Bakersfield, California; Birmingham; Columbia/Greenville, South Carolina; Jacksonville, Florida; Southeastern Pennsylvania; and Sarasota County, Florida.

The budget also requests $1.8 billion for information technology, which includes the first phase of our major comprehensive reorganization of the IT function in the Department, and will help to establish the new management system for IT in the VA. This transformation within the VA is progressing very well and will bring our program in line with the best practices in the IT industry. Greater centralization will play a significant role in fulfilling our promise, our commitment, to lead the pack in the government for data security.

To that end, the budget also includes almost $70 million for enhanced cybersecurity. And I know, Mr. Chairman, that the Committee shares with me the concern about the VA's ability to secure all veterans' personal information. There have been security incidents that are simply unacceptable and have made it a priority to assure that our veterans are getting the protection of their privacy that they deserve. We are taking unprecedented steps to implement the required national security measures and to change the culture of the agency as to protected data. And it is not that these incidents will never occur, but when they do that the VA now has a process to properly respond. We are encouraging all of our employees to report, including self reporting, the thefts or other losses of equipment, whether in the workplace, at home, or on travel, so that we can strengthen our information security procedures through lessons learned reviews, personal accountability, and, when appropriate, disciplinary actions including terminations.

The most critical IT project for our medical care program is the continued operation and improvement of the Department's electronic medical records. I have made it a point for the past year to praise our electronic records for their ability to survive such things as Katrina and Hurricane Rita. Electronic records are a presidential priority and the VA's electronic record system has been nationally recognized for increasing the productivity, quality, and safety of our system. Within this initiative we are requesting $131.9 million for ongoing development and implementation of our Healthy Vet Vista. This is the program to modernize this electronic health record system. It will make use of standards that will enhance the sharing of data within VA, as well as without, or as with other federal agencies and public and private sector organizations as well.

In closing I want to let you know that I will soon be naming members to a special advisory committee on OIF/OEF veterans and their families. It is worth mentioning a new initiative to assist returning veterans to connect with their state and territorial vet-

erans departments as well. First the OIF/OEF panel, its membership will include veterans, spouses, survivors, and parents of combat veterans and it will report directly to me. Under its charter, the committee will focus on ensuring that all men and women with active military service in Iraq and Afghanistan are transitioned to the VA in a seamless, hassle-free, informed manner. The committee will pay particular attention to severely disabled veterans and their families.

Second, in order to help severely injured servicemembers receive benefits from their states and territories when they move from the military hospitals to the VA and eventually to their home communities, I have recently announced the expansion of a collaborative effort between the states and including the District of Columbia, and it is called the States Benefits Seamless Transition Program. We just completed a very successful four-month pilot of this with the State of Florida and have now expanded it nationwide. It is a promising extension of the VA's own transition assistance for those leaving the military service. It is also an opportunity to partner with the states to make long term support possible for our most deserving veterans throughout the country.

Over the last few weeks and months as I have traveled this country I have met with commanders of several combatant commands to talk to them about how the VA and the DOD can better work together to care for our soldiers, sailors, airmen, marines, and guardsmen when they return home from duty overseas. In the coming weeks, and these meetings have now been scheduled, I will be meeting with the senior enlisted advisors of the respective services as well as the service chiefs. I will be extending an invitation to each service secretary to also meet with me so that we can keep our lines of communication open, working for the benefit of our servicemen and women.

Mr. Chairman, this concludes my remarks. Thank you.

[The prepared statement of R. James Nicholson follows:]

PREPARED STATEMENT OF HON. R. JAMES NICHOLSON,
SECRETARY, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. Chairman and members of the Committee, good morning. I am pleased to be here today to present the President's 2008 budget proposal for the Department of Veterans Affairs (VA). The request totals $86.75 billion—$44.98 billion for entitlement programs and $41.77 billion for discretionary programs.

The total budget request is $37.80 billion, or 77 percent, above the funding level in effect when the President took office. The 2008 request for discretionary funding is $18.74 billion (or 81.4 percent) above the discretionary resource level available in 2001. The growth in funding for entitlement programs from 2001 to 2008 is similar—$19.06 billion (or 73.5 percent). Nearly 90 percent of the increase in entitlement costs is accounted for by compensation payments to veterans with service-connected disabilities as well as their survivors.

The President's requested funding level will allow VA to continue to improve the delivery of benefits and services to veterans and their families in three primary areas that are critical to the achievement of our mission:

- to provide timely, high-quality health care to a growing number of patients who count on VA the most—veterans returning from service in Operation Iraqi Freedom and Operation Enduring Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs;
- to improve the delivery of benefits through the timeliness and accuracy of claims processing; and
- to increase veterans' access to a burial option in a national or state veterans' cemetery.

ENSURING A SEAMLESS TRANSITION FROM ACTIVE MILITARY SERVICE TO CIVILIAN LIFE

The President's 2008 budget request provides the resources necessary to ensure that service members' transition from active duty military status to civilian life continues to be as smooth and seamless as possible. We will continue to ensure that every seriously injured or ill serviceman or woman returning from combat in Operation Iraqi Freedom and Operation Enduring Freedom receives the treatment they need in a timely way.

Recently I announced plans to create a special Advisory Committee on Operation Iraqi Freedom/Operation Enduring Freedom Veterans and Families. The panel, with membership including veterans, spouses, and parents of the latest generation of combat veterans, will report directly to me. Under its charter, the committee will focus on the concerns of all men and women with active military service in Operation Iraqi Freedom or Operation Enduring Freedom, but will pay particular attention to severely disabled veterans and their families.

We will expand our "Coming Home to Work" initiative to help disabled service members more easily make the transition from military service to civilian life. This is a comprehensive intergovernmental and public-private alliance that will provide separating service members from Operation Iraqi Freedom and Operation Enduring Freedom with employment opportunities when they return home from their military service. This project focuses on making sure service members have access to existing resources through local and regional job markets, regardless of where they separate from their military service, where they return, or the career or education they pursue.

VA launched an ambitious outreach initiative to ensure separating combat veterans know about the benefits and services available to them. During 2006 VA conducted over 8,500 briefings attended by more than 393,000 separating service members and returning reservists and National Guard members. The number of attendees was 20 percent higher in 2006 than it was in 2005 attesting to our improved outreach effort.

Additional pamphlet mailings following separation and briefings conducted at town hall meetings are sources of important information for returning National Guard members and reservists. VA has made a special effort to work with National Guard and reserve units to reach transitioning service members at demobilization sites and has trained recently discharged veterans to serve as National Guard Bureau liaisons in every state to assist their fellow combat veterans.

Each VA medical center and regional office has a designated point of contact to coordinate activities locally and to ensure the health care and benefits needs of returning service members and veterans are fully met. VA has distributed specific guidance to field staff to make sure the roles and functions of the points of contact and case managers are fully understood and that proper coordination of benefits and services occurs at the local level.

For combat veterans returning from Iraq and Afghanistan, their contact with VA often begins with priority scheduling for health care, and for the most seriously wounded, VA counselors visit their bedside in military wards before separation to assist them with their disability claims and ensure timely compensation payments when they leave active duty.

In an effort to assist wounded military members and their families, VA has placed workers at key military hospitals where severely injured service members from Iraq and Afghanistan are frequently sent for care. These include benefit counselors who help service members obtain VA services as well as social workers who facilitate health care coordination and discharge planning as service members transition from military to VA health care. Under this program, VA staff provide assistance at 10 military treatment facilities around the country, including Walter Reed Army Medical Center, National Naval Medical Center Bethesda, Naval Medical Center San Diego, and Womack Army Medical Center at Ft. Bragg.

To further meet the need for specialized medical care for patients with service in Operation Iraqi Freedom and Operation Enduring Freedom, VA has expanded its four polytrauma centers in Minneapolis, Palo Alto, Richmond, and Tampa to encompass additional specialties to treat patients for multiple complex injuries. Our efforts are being expanded to 21 polytrauma network sites and clinic support teams around the country providing state-of-the-art treatment closer to injured veterans' homes. We have made training mandatory for all physicians and other key health care personnel on the most current approaches and treatment protocols for effective care of patients afflicted with brain injuries. Furthermore, we established a polytrauma call center in February 2006 to assist the families of our most seriously injured combat veterans and service members. This call center operates 24 hours a day, 7 days a

week to answer clinical, administrative, and benefit inquiries from polytrauma patients and family members.

In addition, VA has significantly expanded its counseling and other medical care services for recently discharged veterans suffering from mental health disorders, including post-traumatic stress disorder. We have launched new programs, including dozens of new mental health teams based in VA medical facilities focused on early identification and management of stress-related disorders, as well as the recruitment of about 100 combat veterans as counselors to provide briefings to transitioning service members regarding military-related readjustment needs.

MEDICAL CARE

We are requesting $36.6 billion for medical care in 2008, a total more than 83 percent higher than the funding available at the beginning of the Bush Administration. Our total medical care request is comprised of funding for medical services ($27.2 billion), medical administration ($3.4 billion), medical facilities ($3.6 billion), and resources from medical care collections ($2.4 billion).

From 2001 to 2006, VA spent over $158 billion on the delivery of veterans' health care. Two of the most significant components of the total expenditures for veterans' health care during this period were for payroll costs for physicians, nurses, and other health care professionals and support staff ($83 billion) and for pharmaceuticals ($21.2 billion).

LEGISLATIVE PROPOSALS

The President's 2008 budget request identifies three legislative proposals which ask veterans with comparatively greater means and no compensable service-connected disabilities to assume a small share of the cost of their health care.

The first proposal would assess Priority 7 and 8 veterans with an annual enrollment fee based on their family income:

Family income	Annual enrollment fee
Under $50,000	None
$50,000–$74,999	$250
$75,000–$99,999	$500
$100,000 and above	$750

The second legislative proposal would increase the pharmacy co-payment for Priority 7 and 8 veterans from $8 to $15 for a 30-day supply of drugs. And the last provision would eliminate the practice of offsetting or reducing VA first-party co-payment debts with collection recoveries from third-party health plans.

While our budget requests in recent years have included legislative proposals similar to these, the provisions identified in the President's 2008 budget are markedly different in that they have no impact on the resources we are requesting for VA medical care. Our budget request includes the total funding needed for the Department to continue to provide veterans with timely, high-quality medical services that set the national standard of excellence in the health care industry. Unlike previous budgets, these legislative proposals do not reduce our discretionary medical care appropriations. Instead, these three provisions, if enacted, would generate an estimated $2.3 billion in mandatory receipts to the Treasury from 2008 through 2012.

WORKLOAD

During 2008, we expect to treat about 5,819,000 patients. This total is more than 134,000 (or 2.4 percent) above the 2007 estimate, and is 1,572,000 (or 37.0 percent) higher than the number of total patients we treated in 2001. Patients in Priorities 1-6—veterans with service-connected conditions, lower incomes, special health care needs, and service in Iraq or Afghanistan—will comprise 68 percent of the total patient population in 2008, but they will account for 85 percent of our health care costs. The number of patients in Priorities 1-6 will grow by 3.3 percent from 2007 to 2008.

We expect to treat about 263,000 veterans in 2008 who served in Operation Iraqi Freedom and Operation Enduring Freedom. This is an increase of 54,000 (or 26 percent) above the number of veterans from these two campaigns that we anticipate will come to VA for health care in 2007, and 108,000 (or 70 percent) more than the number we treated in 2006.

FUNDING DRIVERS

Our 2008 request for $36.6 billion in support of our medical care program was largely determined by three key cost drivers in the actuarial model we use to project veteran enrollment in VA's health care system as well as the utilization of health care services of those enrolled:

- inflation;
- trends in the overall health care industry; and
- trends in VA health care.

The impact of the composite rate of inflation of 4.45 percent within the actuarial model will increase our resource requirements for acute inpatient and outpatient care by nearly $2.1 billion. This includes the effect of additional funds ($690 million) needed to meet higher payroll costs as well as the influence of growing costs ($1.4 billion) for supplies, as measured in part by the Medical Consumer Price Index. However, inflationary trends have slowed during the last year.

There are several trends in the U.S. health care industry that continue to increase the cost of providing medical services. These trends expand VA's cost of doing business regardless of any changes in enrollment, number of patients treated, or program initiatives. The two most significant trends are the rising utilization and intensity of health care services. In general, patients are using medical care services more frequently and the intensity of the services they receive continues to grow. For example, sophisticated diagnostic tests, such as magnetic resonance imaging (MRI), are now more frequently used either in place of, or in addition to, less costly diagnostic tools such as x-rays. As another illustration, advances in cancer screening technologies have led to earlier diagnosis and prolonged treatment which may include increased use of costly pharmaceuticals to combat this disease. These types of medical services have resulted in improved patient outcomes and higher quality health care. However, they have also increased the cost of providing care.

The cost of providing timely, high-quality health care to our Nation's veterans is also growing as a result of several factors that are unique to VA's health care system. We expect to see changes in the demographic characteristics of our patient population. Our patients as a group will be older, will seek care for more complex medical conditions, and will be more heavily concentrated in the higher cost priority groups. Furthermore, veterans are submitting disability compensation claims for an increasing number of medical conditions, which are also increasing in complexity. This results in the need for disability compensation medical examinations, the majority of which are conducted by our Veterans Health Administration, that are more complex, costly, and time consuming. These projected changes in the case mix of our patient population and the growing complexity of our disability claims process will result in greater resource needs.

QUALITY OF CARE

The resources we are requesting for VA's medical care program will allow us to strengthen our position as the Nation's leader in providing high-quality health care. VA has received numerous accolades from external organizations documenting the Department's leadership position in providing world-class health care to veterans. For example, our record of success in health care delivery is substantiated by the results of the 2006 American Customer Satisfaction Index (ACSI) survey. Conducted by the National Quality Research Center at the University of Michigan Business School, the ACSI survey found that customer satisfaction with VA's health care system increased last year and was higher than the private sector for the seventh consecutive year. The data revealed that inpatients at VA medical centers recorded a satisfaction level of 84 out of a possible 100 points, or 10 points higher than the rating for inpatient care provided by the private-sector health care industry. VA's rating of 82 for outpatient care was 8 points better than the private sector.

Citing VA's leadership role in transforming health care in America, Harvard University recognized the Department's computerized patient records system by awarding VA the prestigious "Innovations in American Government Award" in 2006. Our electronic health records have been an important element in making VA health care the benchmark for 294 measures of disease prevention and treatment in the U.S.

These external acknowledgments of the superior quality of VA health care reinforce the Department's own findings. We use two primary measures of health care quality—clinical practice guidelines index and prevention index. These measures focus on the degree to which VA follows nationally recognized guidelines and standards of care that the medical literature has proven to be directly linked to improved health outcomes for patients. Our performance on the clinical practice guidelines index, which focuses on high-prevalence and high-risk diseases that have a significant impact on veterans' overall health status, is expected to grow to 85 percent in

2008, or a 1 percentage point rise over the level we expect to achieve this year. As an indicator aimed at primary prevention and early detection recommendations dealing with immunizations and screenings, the prevention index will be maintained at our existing high level of performance of 88 percent.

ACCESS TO CARE

With the resources requested for medical care in 2008, the Department will be able to continue our exceptional performance dealing with access to health care—96 percent of primary care appointments will be scheduled within 30 days of patients' desired date, and 95 percent of specialty care appointments will be scheduled within 30 days of patients' desired date. We will minimize the number of new enrollees waiting for their first appointment. We reduced this number by 94 percent from May 2006 to January 2007, to a little more than 1,400, and we will continue to place strong emphasis on lowering, and then holding, the waiting list to as low a level as possible.

An important component of our overall strategy to improve access and timeliness of service is the implementation on a national scale of Advanced Clinic Access, an initiative that promotes the efficient flow of patients by predicting and anticipating patient needs at the time of their appointment. This involves assuring that specific medical equipment is available, arranging for tests that should be completed either prior to, or at the time of, the patient's visit, and ensuring all necessary health information is available. This program optimizes clinical scheduling so that each appointment or inpatient service is most productive. In addition, this reduces unnecessary appointments, allowing for relatively greater workload and increased patient-directed scheduling.

FUNDING FOR MAJOR HEALTH CARE PROGRAMS AND INITIATIVES

Our request includes $4.6 billion for extended care services, 90 percent of which will be devoted to institutional long-term care and 10 percent to non-institutional care. By continuing to enhance veterans' access to non-institutional long-term care, the Department can provide extended care services to veterans in a more clinically appropriate setting, closer to where they live, and in the comfort and familiar settings of their homes surrounded by their families. This includes adult day health care, home-based primary care, purchased skilled home health care, homemaker/home health aide services, home respite and hospice care, and community residential care. During 2008 we will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to over 44,000. This represents a 19.1 percent increase above the level we expect to reach in 2007 and a 50.3 percent rise over the 2006 average daily census.

The President's request includes nearly $3 billion to continue our effort to improve access to mental health services across the country. These funds will help ensure VA provides standardized and equitable access throughout the Nation to a full continuum of care for veterans with mental health disorders. The resources will support both inpatient and outpatient psychiatric treatment programs as well as psychiatric residential rehabilitation treatment services. We estimate that about 80 percent of the funding for mental health will be for the treatment of seriously mentally ill veterans, including those suffering from post-traumatic stress disorder (PTSD). An example of our firm commitment to provide the best treatment available to help veterans recover from these mental health conditions is our ongoing outreach to veterans of Operation Iraqi Freedom and Operation Enduring Freedom, as well as increased readjustment and PTSD services.

In 2008 we are requesting $752 million to meet the needs of the 263,000 veterans with service in Operation Iraqi Freedom and Operation Enduring Freedom whom we expect will come to VA for medical care. Veterans with service in Iraq and Afghanistan continue to account for a rising proportion of our total veteran patient population. In 2008 they will comprise 5 percent of all veterans receiving VA health care compared to the 2006 figure of 3.1 percent. Veterans deployed to combat zones are entitled to 2 years of eligibility for VA health care services following their separation from active duty even if they are not otherwise immediately eligible to enroll for our medical services.

MEDICAL COLLECTIONS

The Department expects to receive nearly $2.4 billion from medical collections in 2008, which is $154 million, or 7.0 percent, above our projected collections for 2007. As a result of increased workload and process improvements in 2008, we will collect an additional $82 million from third-party insurance payers and an extra $72 million resulting from increased pharmacy workload.

We have several initiatives underway to strengthen our collections processes:

• The Department has established a private-sector based business model pilot tailored for our revenue operations to increase collections and improve our operational performance. The pilot Consolidated Patient Account Center (CPAC) is addressing all operational areas contributing to the establishment and management of patient accounts and related billing and collections processes. The CPAC currently serves revenue operations for medical centers and clinics in one of our Veterans Integrated Service Networks but this program will be expanded to serve other networks.

• VA continues to work with the Centers for Medicare and Medicaid Services contractors to provide a Medicare-equivalent remittance advice for veterans who are covered by Medicare and are using VA health care services. We are working to include additional types of claims that will result in more accurate payments and better accounting for receivables through use of more reliable data for claims adjudication.

• We are conducting a phased implementation of electronic, real-time outpatient pharmacy claims processing to facilitate faster receipt of pharmacy payments from insurers.

• The Department has initiated a campaign that has resulted in an increasing number of payers now accepting electronic coordination of benefits claims. This is a major advancement toward a fully integrated, interoperable electronic claims process.

MEDICAL RESEARCH

The President's 2008 budget includes $411 million to support VA's medical and prosthetic research program. This amount will fund nearly 2,100 high-priority research projects to expand knowledge in areas critical to veterans' health care needs, most notably research in the areas of mental illness ($49 million), aging ($42 million), health services delivery improvement ($36 million), cancer ($35 million), and heart disease ($31 million).

VA's medical research program has a long track record of success in conducting research projects that lead to clinically useful interventions that improve the health and quality of life for veterans as well as the general population. Recent examples of VA research results that are now being applied to clinical care include the discovery that vaccination against varicella-zoster (the same virus that causes chickenpox) decreases the incidence and/or severity of shingles, development of a system that decodes brain waves and translates them into computer commands that allow quadriplegics to perform simple tasks like turning on lights and opening e-mail using only their minds, improvements in the treatment of post-traumatic stress disorder that significantly reduce trauma nightmares and other sleep disturbances, and discovery of a drug that significantly improves mental abilities and behavior of certain schizophrenics.

In addition to VA appropriations, the Department's researchers compete for and receive funds from other federal and non-federal sources. Funding from external sources is expected to continue to increase in 2008. Through a combination of VA resources and funds from outside sources, the total research budget in 2008 will be almost $1.4 billion.

GENERAL OPERATING EXPENSES

The Department's 2008 resource request for General Operating Expenses (GOE) is $1.472 billion. This is $617 million, or 72.2 percent, above the funding level in place when the President took office. Within this total GOE funding request, $1.198 billion is for the administration of non-medical benefits by the Veterans Benefits Administration (VBA) and $274 million will be used to support General Administration activities.

COMPENSATION AND PENSIONS WORKLOAD AND PERFORMANCE MANAGEMENT

VA's primary focus within the administration of non-medical benefits remains unchanged—delivering timely and accurate benefits to veterans and their families. Improving the delivery of compensation and pension benefits has become increasingly challenging during the last few years due to a steady and sizeable increase in workload. The volume of claims applications has grown substantially during the last few years and is now the highest it has been in the last 15 years. The number of claims we received was more than 806,000 in 2006. We expect this high volume of claims filed to continue, as we are projecting the receipt of about 800,000 claims a year in both 2007 and 2008.

VA's processing of the increased claims volume has led to a significant rise in the number of veterans and their survivors receiving compensation or pension payments

from VA. In 2008 this total will exceed 3.7 million. This is about 513,000, or 16 percent, more than the number of compensation and pension recipients in 2001.

The number of active duty service members as well as reservists and National Guard members who have been called to active duty to support Operation Enduring Freedom and Operation Iraqi Freedom is one of the key drivers of new claims activity. This has contributed to an increase in the number of new claims, and we expect this pattern to persist. An additional reason that the number of compensation and pension claims is climbing is the Department's commitment to increase outreach. We have an obligation to extend our reach as far as possible and to spread the word to veterans about the benefits and services VA stands ready to provide.

Disability compensation claims from veterans who have previously filed a claim comprise about 55 percent of the disability claims received by the Department each year. Many veterans now receiving compensation suffer from chronic and progressive conditions, such as diabetes, mental illness, and cardiovascular disease. As these veterans age and their conditions worsen, we experience additional claims for increased benefits.

The growing complexity of the claims being filed also contributes to our workload challenges. For example, the number of original compensation cases with eight or more disabilities claimed nearly doubled during the last 4 years, reaching more than 51,000 claims in 2006. Almost one in every four original compensation claims received last year contained eight or more disability issues. In addition, we expect to continue to receive a growing number of complex disability claims resulting from PTSD, environmental and infectious risks, traumatic brain injuries, complex combat-related injuries, and complications resulting from diabetes. Each claim now takes more time and more resources to adjudicate. Additionally, as VA receives and adjudicates more claims, this results in a larger number of appeals from veterans and survivors, which also increases workload in other parts of the Department, including the Board of Veterans' Appeals.

The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties have grown, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim. Also, we are now required to review the claims at more points in the adjudication process.

We will address our ever-growing workload challenges in several ways. First, we will continue to improve our productivity as measured by the number of claims processed per staff member, from 98 in 2006 to 101 in 2008. Second, we will continue to move work among regional offices in order to maximize our resources and enhance our performance. Third, we will further advance staff training and other efforts to improve the consistency and quality of claims processing across regional offices. And fourth, we will ensure our claims processing staff has easy access to the manuals and other reference material they need to process claims as efficiently and effectively as possible and further simplify and clarify benefit regulations.

Through a combination of management/productivity improvements and an increase in resources in 2008 to support 457 additional staff above the 2007 level, we will improve our performance in the area most critical to veterans—the timeliness of processing rating-related compensation and pension claims. We expect to improve the timeliness of processing these claims to 145 days in 2008. This level of performance is 15 days better than our projected timeliness for 2007 and a 32-day improvement from the average processing time we achieved last year. In addition, we anticipate that our pending inventory of disability claims will fall to about 330,000 by the end of 2008, a reduction of more than 40,000 (or 10.9 percent) from the level we project for the end of 2007, and nearly 49,000 (or 12.9 percent) lower than the inventory at the close of 2006. At the same time we are improving timeliness, we will also increase the accuracy of our decisions on claims from 88 percent in 2006 to 90 percent in 2008.

EDUCATION AND VOCATIONAL REHABILITATION AND EMPLOYMENT PERFORMANCE

In 2001, about 485,000 trainees took advantage of the readjustment and vocational rehabilitation and employment services offered by the Department. In 2006, that number swelled to over 614,000. From 2001 through 2006, nearly $15.6 billion was paid in support of these programs. In 2006 alone, $3.2 billion was obligated for readjustment programs, an increase of 82 percent from the 2001 level.

The largest readjustment program is the All Volunteer Force Educational Assistance Program, or the Montgomery GI Bill. Effective October 1, 2006, the monthly education benefit under this program rose to $1,075. This monthly rate is 60 percent higher than it was 5 years ago. This investment in education continues to produce clear and substantial benefits for veterans. For example, the unemployment rate

among users of the Montgomery GI Bill is well below that of non-users, while earnings among program participants are higher than for non-users of the program.

With the resources we are requesting in 2008, key program performance will improve in both the education and vocational rehabilitation and employment programs. The timeliness of processing original education claims will improve by 15 days during the next 2 years, falling from 40 days in 2006 to 25 days in 2008. During this period, the average time it takes to process supplemental claims will improve from 20 days to just 12 days. These performance improvements will be achieved despite an increase in workload. The number of education claims we expect to receive will reach about 1,432,000 in 2008, or 4.8 percent higher than last year. In addition, the rehabilitation rate for the vocational rehabilitation and employment program will climb to 75 percent in 2008, a gain of 2 percentage points over the 2006 performance level. The number of program participants will rise to about 94,500 in 2008, or 5.3 percent higher than the number of participants in 2006.

Our 2008 request includes $6.3 million for a Contact Management Support Center for our education program. These funds will be used during peak enrollment periods for contract customer service representatives who will handle all education calls placed through our toll-free telephone line. We currently receive about 2.5 million phone inquiries per year. This initiative will allow us to significantly improve performance for both the blocked call rate and the abandoned call rate.

The 2008 resource request for VBA includes about $4.3 million to enhance our educational and vocational counseling provided to disabled service members through the Disabled Transition Assistance Program. Funds for this initiative will ensure that briefings are conducted by experts in the field of vocational rehabilitation, including contracting for these services in localities where VA professional staff are not available. The contractors would be trained by VA staff to ensure consistent, quality information is provided. Also in support of the vocational rehabilitation and employment program, we are seeking $1.5 million as part of an ongoing project to retire over 650,000 counseling, evaluation, and rehabilitation folders stored in regional offices throughout the country. All of these folders pertain to cases that have been inactive for at least 3 years and retention of these files poses major space problems.

In addition, our 2008 request includes $2.4 million to continue a major effort to centralize finance functions throughout VBA, an initiative that will positively impact operations for all of our benefits programs. The funds to support this effort will be used to begin the consolidation and centralization of voucher audit, agent cashier, purchase card, and payroll operations currently performed by all regional offices.

NATIONAL CEMETERY ADMINISTRATION

The President's 2008 budget request includes $166.8 million in operations and maintenance funding for the National Cemetery Administration (NCA). These resources will allow us to meet the growing workload at existing cemeteries by increasing staffing and funding for contract maintenance, supplies, and equipment. We expect to perform nearly 105,000 interments in 2008, or 8.4 percent higher than the number of interments we performed in 2006. The number of developed acres (over 7,800) that must be maintained in 2008 will be 7.3 percent greater than last year.

The number of veteran deaths peaked in 2006 at about 687,600, or an average of 1,884 deaths per day. Due primarily to the aging of the Vietnam Era, Korean Conflict, and World War II populations, the number of veteran deaths will remain above 600,000 a year for the next 10 years. The next decade will also see workload growth at our national cemeteries.

Our budget request includes $3.7 million to prepare for the activation of interment operations at six new national cemeteries—Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; southeastern Pennsylvania; and Sarasota County, Florida. Establishment of these six new national cemeteries is directed by the National Cemetery Expansion Act of 2003.

The 2008 budget has $9.1 million to address gravesite renovations as well as headstone and marker realignment. These improvements in the appearance of our national cemeteries will help us maintain the cemeteries as shrines dedicated to preserving our Nation's history and honoring veterans' service and sacrifice.

With the resources requested to support NCA activities, we will expand access to our burial program by increasing the percent of veterans served by a burial option within 75 miles of their residence to 84.6 percent in 2008, which is 4.4 percentage points above our performance level at the close of 2006. In addition, we will continue to increase the percent of respondents who rate the quality of service provided by

national cemeteries as excellent to 98 percent in 2008, or 4 percentage points higher than the level of performance we reached last year.

CAPITAL PROGRAMS (CONSTRUCTION AND GRANTS TO STATES)

VA's 2008 request includes $1.078 billion in appropriated funding for our capital programs. Our request includes $727.4 million for major construction projects, $233.4 million for minor construction, $85 million in grants for the construction of state extended care facilities, and $32 million in grants for the construction of state veterans cemeteries.

The 2008 request for construction funding for our health care programs is $750 million—$570 million for major construction and $180 million for minor construction. All of these resources will be devoted to continuation of the Capital Asset Realignment for Enhanced Services (CARES) program, total funding for which comes to $3.7 billion over the last 5 years. CARES will renovate and modernize VA's health care infrastructure, provide greater access to high-quality care for more veterans, closer to where they live, and help resolve patient safety issues. Within our request for major construction are resources to continue six medical facility projects already underway:

- Denver, Colorado ($61.3 million)—parking structure and energy development for this replacement hospital
- Las Vegas, Nevada ($341.4 million)—complete construction of the hospital, nursing home, and outpatient facilities
- Lee County, Florida ($9.9 million)—design of an outpatient clinic (land acquisition is complete)
- Orlando, Florida ($35.0 million)—land acquisition for this replacement hospital
- Pittsburgh, Pennsylvania ($40.0 million)—continue consolidation of a 3-division to a 2-division hospital
- Syracuse, New York ($23.8 million)—complete construction of a spinal cord injury center.

Minor construction is an integral component of our overall capital program. In support of the medical care and medical research programs, minor construction funds permit VA to address space and functional changes to efficiently shift treatment of patients from hospital-based to outpatient care settings; realign critical services; improve management of space, including vacant and underutilized space; improve facility conditions; and undertake other actions critical to CARES implementation. Our 2008 request for minor construction funds for medical care and research will provide the resources necessary for us to address critical needs in improving access to health care, enhancing patient privacy, strengthening patient safety, enhancing research capability, correcting seismic deficiencies, facilitating realignments, increasing capacity for dental services, and improving treatment in special emphasis programs.

We are requesting $191.8 million in construction funding to support the Department's burial program—$167.4 million for major construction and $24.4 million for minor construction. Within the funding we are requesting for major construction are resources to establish six new cemeteries mandated by the National Cemetery Expansion Act of 2003. As previously mentioned, these will be in Bakersfield ($19.5 million), Birmingham ($18.5 million), Columbia-Greenville ($19.2 million), Jacksonville ($22.4 million), Sarasota ($27.8 million), and southeastern Pennsylvania ($29.6 million). The major construction request in support of our burial program also includes $29.4 million for a gravesite development project at Fort Sam Houston National Cemetery.

INFORMATION TECHNOLOGY

VA's 2008 budget request for information technology (IT) is $1.859 billion. This budget reflects the first phase of our reorganization of IT functions in the Department which will establish a new IT management structure in VA. The total funding for IT in 2008 includes $555 million for more than 5,500 staff who have been moved to support operations and maintenance activities. Prior to 2008, the funding and staff supporting these IT activities were reflected in other accounts throughout the Department.

Later in 2007 we will implement the second phase of our IT reorganization strategy by moving funding and staff devoted to development projects and activities. As a result of the second stage of the IT reorganization, the Chief Information Officer will be responsible for all operations and maintenance as well as development activities, including oversight of, and accountability for, all IT resources within VA. This reorganization will make the most efficient use of our IT resources while improving operational effectiveness, providing standardization, and eliminating duplication.

This major transformation of IT will bring our program under more centralized control and will play a significant role in ensuring we fulfill my promise to make VA the gold standard for data security within the federal government. We have taken very aggressive steps during the last several months to ensure the safety of veterans' personal information, including training and educating our employees on the critical responsibility they have to protect personal and health information, launching an initiative to expeditiously upgrade all VA computers with enhanced data security and encryption, entering into an agreement with an outside firm to provide free data breach analysis services, initiating any needed background investigations of employees to ensure consistency with their level of authority and responsibilities in the Department, and beginning a campaign at all of our health care facilities to replace old veteran identification cards with new cards that reduce veterans' vulnerability to identify theft. These steps are part of our broader commitment to improve our IT and cyber security policies and procedures.

Within our total IT request of $1.859 billion, $1.304 billion (70 percent) will be for non-payroll costs and $555 million (30 percent) will be for payroll costs. Of the non-payroll funding, $461 million will support projects for our medical care and medical research programs, $66 million will be devoted to projects for our benefits programs, and $446 million will be needed for IT infrastructure projects. The remaining $331 million of our non-payroll IT resources in 2008 will fund centrally-managed projects, such as VA's cyber security program, as well as management projects that support department-wide initiatives and operations like the replacement of our aging financial management system and the development and implementation of a new human resources management system.

The most critical IT project for our medical care program is the continued operation and improvement of the Department's electronic health record system, a Presidential priority which has been recognized nationally for increasing productivity, quality, and patient safety. Within this overall initiative, we are requesting $131.9 million for ongoing development and implementation of HealtheVet-VistA (Veterans Health Information Systems and Technology Architecture). This initiative will incorporate new technology, new or reengineered applications, and data standardization to improve the sharing of, and access to, health information, which in turn, will improve the status of veterans' health through more informed clinical care. This system will make use of standards accepted by the Secretary of Health and Human Services that will enhance the sharing of data within VA as well as with other federal agencies and public and private sector organizations. Health data will be stored in a veteran-centric format replacing the current facility-centric system. The standardized health information can be easily shared between facilities, making patients' electronic health records available to them and to all those authorized to provide care to veterans.

Until HealtheVet-VistA is operational, we need to maintain the VistA legacy system. This system will remain operational as new applications are developed and implemented. This approach will mitigate transition and migration risks associated with the move to the new architecture. Our budget provides $129.4 million in 2008 for the VistA legacy system. Funding for the legacy system will decline as we advance our development and implementation of HealtheVet-VistA.

In veterans benefits programs, we are requesting $31.7 million in 2008 to support our IT systems that ensure compensation and pension claims are properly processed and tracked, and that payments to veterans and eligible family members are made on a timely basis. Our 2008 request includes $3.5 million to continue the development of The Education Expert System. This will replace the existing benefit payment system with one that will, when fully deployed, receive application and enrollment information and process that information electronically, reducing the need for human intervention.

VA is requesting $446 million in 2008 for IT infrastructure projects to support our health care, benefits, and burial programs through implementation and ongoing management of a wide array of technical and administrative support systems. Our request for resources in 2008 will support investment in five infrastructure projects now centrally managed by the CIO—computing infrastructure and operations ($181.8 million); network infrastructure and operations ($31.7 million); voice infrastructure and operations ($71.9 million); data and video infrastructure and operations ($130.8 million); and regional data centers ($30.0 million).

VA's 2008 request provides $70.1 million for cyber security. This ongoing initiative involves the development, deployment, and maintenance of a set of enterprise-wide controls to better secure our IT architecture in support of all of the Department's program operations. Our request also includes $35.0 million for the Financial and Logistics Integrated Technology Enterprise (FLITE) system. FLITE is being developed to address a long-standing material weakness and will effectively integrate and

standardize financial and logistics data and processes across all VA offices as well as provide management with access to timely and accurate financial, logistics, budget, asset, and related information on VA-wide operations. In addition, we are asking for $34.1 million for a new state-of-the-art human resource management system that will result in an electronic employee record and the capability to produce critical management information in a fraction of the time it now takes using our antiquated paper-based system.

SUMMARY

Our 2008 budget request of $86.75 billion will provide the resources necessary for VA to:

- strengthen our position as the Nation's leader in providing high-quality health care to a growing patient population, with an emphasis on those who count on us the most—veterans returning from service in Operation Iraqi Freedom and Operation Enduring Freedom, veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs;
- improve the delivery of benefits through the timeliness and accuracy of claims processing; and
- increase veterans' access to a burial option by opening new national and state veterans' cemeteries.

I look forward to working with the members of this committee to continue the Department's tradition of providing timely, high-quality benefits and services to those who have helped defend and preserve freedom around the world.

Chairman SPRATT. Mr. Secretary, thank you very much. And before proceeding with questions let me state for the record and ask unanimous consent that all members who were not able to make an opening statement be allowed to submit one for the record at this point if they would like.

Mr. Secretary, thank you for your testimony, thank you for your service. We have a concern about veterans healthcare, which is our principal concern. And there is a pattern that your budgets have tended to follow the last five years that I would like to show you by putting up once again chart number two.

As you can see, this year you have made a substantial request for an increase in veterans healthcare, $3.1 billion I believe. That is $1.9 billion above what CBO calls current services, basically the provision next year of the same thing we are providing this year. That is a substantial increase, too. However, in the out years the amount of money provided increasingly falls short of current services. So if you look in the fifth year, you will see that there is a shortfall of about $2.5 billion in that year alone. And over the five year span of those bar graphs there is a shortfall of about $3.4 billion below current services.

Now, if I can show you chart number two.

As you can see you are treating more and more veterans from Afghanistan and Iraq and I do not think that chart is likely to cease rising anytime in the near future. But given the fact that you have got this caseload, increasing caseload, of patients from recent engagements who are going to demand a lot of intensive care, do you not think your budget requests for veterans healthcare are likely to be trending upward for the next several years at least?

Secretary NICHOLSON. Mr. Chairman, as you would appreciate, our focus at the Department has been on the 2008 budget. We do work very closely with the administration and OMB on this budget and they do out year projections. We base our requests for the, each year that we come up here on very deliberative, intensive modeling and projections on, you know, on the data that we have. And I have looked at historically how that has operated. And it ap-

pears that there is a pattern each time a budget is submitted here for those out years to be included. What I can tell you is that in 2004 they were projecting the budget for this year, 2008, it had a number in there of $28 billion. We are here today requesting $35.3 billion. So what I can say is, there will be a lot of intervening information that will comprise the request for 2009 before it comes here to the Congress, that I think this number is not reflecting at all.

Chairman SPRATT. But do you not think that VA, you will be needing the additional amount to at least track current services in years to come?

Secretary NICHOLSON. Yes, sir. I do. I think that the number will continue to go up.

Chairman SPRATT. But your budget does not really reflect that because it either flattens out or comes down in terms of current services in particular.

Secretary NICHOLSON. Well, it does not reflect it because it does not have the ingredients that we use to develop these budget requests. It is a number, some call it a place holder, it is a number that has been put in there.

Chairman SPRATT. Let me ask you about specifically what is the most typical and most tragic type of injury being sustained in the Persian Gulf today in Iraq and Afghanistan both. That is traumatic brain injuries and spinal cord injuries. They account for more than 25 percent, according to our information, of combat casualties. And typically, they involved more than just brain injury. They involve a loss of limb, a loss of vision, a loss of hearing, cognitive loss, paralysis, chronic pain, and PTSD as well. How much is your budget providing for this particular type of injury for 2008? And how much of an increase is that over and above 2007?

Secretary NICHOLSON. First, maybe let me tell you Mr. Chairman, in our polytrauma centers, which is where we have the most serious cases. And as I said in my testimony we established those so that we would have the aggregation of all the medical disciplines in one place and that these people could be treated for these at one time and not serially if they have a burn problem, an amputation, traumatic brain injury. And they are doing wonderful work. We have 342 people that we have treated or are treating in those polytrauma centers. Our budget number for 2008 is I am being told, it is an increase of 86 percent, from $405 million for these purposes to $752 million in this budget.

Chairman SPRATT. So how many patients is this for? Can you tell us on a per patient basis what you are spending for a typical brain trauma or spinal cord injury?

Secretary NICHOLSON. Well I can tell you, as I said, we have 342 that we have treated or are currently being treated in the polytrauma centers. But we have other less minor brain injury patients in the system. And I think we have treated about 1100 of those that we have diagnosed with some form of brain injury. I have not done that math but we could do that.

Chairman SPRATT. Over what period of time? Is that over the last year, or the current?

Secretary NICHOLSON. No, sir. That is since we have opened these centers to these combatants.

Chairman SPRATT. Polytrauma centers?

Secretary NICHOLSON. Since the inception of the combat.

Chairman SPRATT. I am sure you are aware that it has been said that there are patients who are being sent to the VA Hospital at their home communities. They are going back home. They go to the Veterans Healthcare facilities nearest home only to find that they do not have the kind of treatment expertise that the polytrauma centers have. And some of them, before they are able to get to a polytrauma system, are sustaining some significant injuries that could otherwise maybe have been abated if not avoided. Is this a problem? Do you acknowledge this problem? And if so, what does the VA plan to do about it?

Secretary NICHOLSON. Well, there have been those cases, there was one reported in a very recent ABC article on this. What we are doing about it, and this has been underway, is that we are enhancing the training of our clinical physician and nurse staff with respect to traumatic brain injury. And thus in all 155 of our major medical facilities, we will have embedded people who are competent for the diagnosis and treatment of that. And they will not be at the level of these polytrauma centers, which are these very concentrated centers of excellence for the advanced treatment. But many of these patients——

Chairman SPRATT. But is there a process by which these conditions can be detected, diagnosed, and immediate transfer to one of these polytrauma centers can be affected so that people do not lose time and perhaps lose some hope for a better recovery?

Secretary NICHOLSON. Yes, that is what is being done, is that we have enhanced the training and thus the capability, the competence, in those medical centers.

Chairman SPRATT. What about the administrative process of a patient, or his family, or a local physician who want to get this particular veteran to a polytrauma center as fast as possible. Is there some kind of fast track or expedited process for approval?

Secretary NICHOLSON. Well, they are admitted, if they come to our attention, and most of them that are seriously injured would be handed off to us from the military and come right into our polytrauma centers. And in fact many of them by the way are in our polytrauma centers while they are still on active duty. And the unfortunate case that was talked about the other night was one of those. That person was still in the Army. But the answer is yes. They are given just very focused, intensive attention and expedition.

Chairman SPRATT. Let me ask you this. I think you would agree, I at least have the perception as a lot of people do, that in certain areas the VA does excellent work, really fine work, the best of any treatment anywhere. And that is particularly true with prosthetics because of your experience over the years. Can you say the same thing about your treatment for spinal cord injuries and brain injuries? And in particular the reporter we are talking about, Bob Woodruff, has said that he got better treatment in the civilian sector than soldiers he knew in the public sector were getting from the Veterans Administration. Can we say that we are moving spinal cord treatment and traumatic brain injury up to the level where it is the best in the country? Because after all, this tends to be an

all too typical injury for our Iraqi veterans. And what are we doing to get there? That is the basic question.

Secretary NICHOLSON. We can say that. I think we can say that proudly. I think the VA is the expert in the world in spinal cord injury, Post Traumatic Stress Disorder. It is a recognized expert in traumatic brain injury. We have, in concert with DOD, been operating a joint traumatic brain injury facility since 1994. So we have the expertise. But I will tell you, now with respect to traumatic brain injury, that that is still a developing science. And there is still a lot that is not known, or I guess I should say, we wish we knew more about that. For example, I mean the basis of what we used to know about this really came primarily from athletic injuries, concussions. We still do not know what we want to know about young people's proximities to blasts, to explosions, where they do not lose consciousness. Or maybe they have a fluttered series of blinking, or maybe a second of loss of consciousness. What effect does that have or will that have on them? We know of these things. And it is over and the squad leader says to his guys, "Is everybody okay?" and they say, "Yeah, Sarge, okay." And they are up and at them. What effect does that have? And that is very difficult, also, to detect.

Having said that, we now also, and I think I said that in my testimony, we are going to screen every one of those people that come to us for this at the time they come to us which is upon their separation from active duty.

Chairman SPRATT. Would you not agree you are stretched pretty thin on PTSD psychiatrists who are truly qualified in this area, to render the care that lots of veterans are needing?

Secretary NICHOLSON. No, I think we are, we have got good capacity for treating PTSD, Mr. Chairman.

Chairman SPRATT. One final question with respect to spinal cord injuries and traumatic brain injuries. As we look through the budget we see there is about $333 million for research and treatment on spinal cord injuries, barely an increase for 2008 over 2007. And we cannot break out what is provided for traumatic brain injuries. Can you give that to us now or could you provide it for the record if you cannot? Is there an increase, a significant increase, so that the VA is leading the way in developing new treatment modalities for traumatic brain and spinal cord injuries?

Secretary NICHOLSON. We have that but I do not have it at my fingertips. We will submit that to you, Mr. Chairman. Yes, sir.

Chairman SPRATT. Is it a significant increase, next year over this year?

Secretary NICHOLSON. It is an increase. I do not know if you would consider it significant. But it is an increase, I know that.

Chairman SPRATT. Okay. Thank you very much, Mr. Secretary. I ask unanimous consent that the newest member of the Committee, the gentle lady from Wisconsin, be allowed to sit in and participate in this hearing. Hearing none, welcome to the Committee. I now yield to Mr. Ryan.

Mr. RYAN. First, before I start questioning, I just want to welcome my neighbor and my friend from Milwaukee to the Committee. Welcome aboard. It is great to have you.

I want to just pick up where the Chairman left off. You know, we went to Camp Arifjan where all our armored vehicles that are hit by IEDs come to. And you saw basically a piece of land the size of a county fairground full of Strikers, Humvees, M1A1 Abrams, Bradleys, ripped apart by IEDs. And now we have the newest version, the explosive foreign projectiles, which really no armor can stop. And so our enemies are getting better at hitting our troops. And so I simply want to add, what the Chairman was saying, Secretary, is that, you know, we are going to have more of the same thing with our newest veterans coming into your system. We are going to have more PTSD. We are going to have more brain and spinal cord injuries. And so I simply want to, you know, with the strongest possible way encourage the VA to recognize that this is coming, and to get ahead of the curve and to do everything within your power to be prepared for that, especially with Post Traumatic Stress. You know, I have heard other stories from, from just vets, from constituents on the lack of follow up after leaving. And that to me is something that has to be addressed.

Let me ask you a couple questions about your actuarial projections. A couple years ago or a year and a half ago, the VA had a funding shortfall that had to be made through a midyear supplemental, which is not the easiest thing to do here in Congress. And that had to do with some actuarial projection problems in areas. Could you just give me a sense of exactly what happened? And what is the VA doing to make sure that we do not have this kind of a problem again?

Secretary NICHOLSON. Yes, I can. You are referring to the fiscal year 2005 budget.

Mr. RYAN. Yes.

Secretary NICHOLSON. And in the beginning of the third quarter of that, roughly spring of 2005, it became apparent that the VA was going to be short of money in the medical care side of the endeavor. And one of the things that happened there, or the main thing that happened, was that the projection for demand for services was off. And it was a peculiar circumstance that the same model was used to develop that budget that has been used for a long time and is still used, which is called the Milliman model which has historically uncanny accuracy. In its projection of total patient load it comes within five-tenths of one percent, and with unique patients it is one-tenth of one percent accurate.

But what happened is, and how it works is, it models itself based on real data. And as you know, the budgeting cycle, we are sitting here working on the 2008 budget now in March of 2007. So back then they were using 2002 data in that model, the numbers that were being——

Mr. RYAN. 2002 data for 2005?

Secretary NICHOLSON. Yes, sir.

Mr. RYAN. Okay.

Secretary NICHOLSON. And in 2002 there was not a War. And so that model, and thus that budget projection that I got right after I came into this job, entering into that, was off. And it became very clear that it was off. We did come here and got a supplemental.

Mr. RYAN. Are you confident that the base assumptions in your model now are adjusted to reflect today's reality and 2008's reality? That that is going to be adjusted?

Secretary NICHOLSON. I have a good degree of confidence. We have applied some judgment to it. It does not, for example, does not model long term care. It does not model our expenses for CHAMPVA, which are quite ascendant in recent years, if you have noticed. And it does not model dental care. So we apply those independently, plus, you know, a little bit of judgment factor to it based on——

Mr. RYAN. Yeah, but any model you can add discretionary assumptions into it and you have done so to reflect current realities. Is that what you are saying?

Secretary NICHOLSON. That is correct.

Mr. RYAN. The data security, you touched on this a little bit in your testimony. Can you give us kind of specifically what the VA is doing to protect the identities and the privacies of our vets? You know, what specific reforms are you putting in place to make sure that this episode of, I cannot even remember, 16 million veterans does not happen again. What exactly are you guys doing to fix that, to prevent that from happening?

Secretary NICHOLSON. Well, we have the Assistant Secretary for IT here with us. But essentially we are going through a major transformation of this huge agency that is disbursed throughout the world, we really have facilities from Maine to Manila, that has had a culture of decentralized sort of semi-autonomous operation. These hospitals are major things, employments centers, vendor centers in their communities, grown up that way. We are centralizing all of the IT. It is long overdue, but it is a real cultural shock and an imposition. And it is necessary that we have the discipline and the uniformity of systems and reporting in the entire system so that we do not have all these independent operations. That is ongoing and that is going quite well.

Mr. RYAN. When do you expect it to be completed?

Secretary NICHOLSON. Well, the entire, I think we project, and I will ask Secretary Howard for that, for the end of that we have an elaborate chart of steps there. Bob, do you want to answer?

Mr. HOWARD. Yes, sir. Sir, we have a very comprehensive program. We have laid down hundreds of actions that need to be taken, beginning with the proper directives. Many of those have already been written and published. In fact, the actions are broken down into managerial type actions, like the directives. Technical actions, enhancing the use of specific technology be that encryption, the use of public key infrastructure in encrypting emails, and things like that. And then we have operational actions, enhancing procedures that need to take place. You know, that do not involved technology, in a sense, but involve the way you do business. And as I said, this overarching plan, the actions number in the hundreds. And that is already ongoing. It is considerable work, but a lot of work to do.

Mr. RYAN. When do you feel like you will be confident that you have the right technology and actions and processes in place to prevent something from happening?

Mr. HOWARD. Sir, this fiscal year, in fact, is a very critical one. We anticipate by the end of this fiscal year we will have a number of those in place, but it will not be complete. I would anticipate probably another year before we are very comfortable with the protection of our infrastructure. By that I mean the complete ability to control our networks and eliminate the use of open transmissions and things like that, controlling our ports on our computers, shutting those down when necessary, monitoring devices that are plugged into computers not only throughout VA but we also non-VA activities that we have to control, like our affiliates, our contractors. And in fact that particular population will be the most difficult. It is very extensive. And the other aspect of all this, sir, is that as we move forward we must be very careful not to shut the operation down. We are flying the plane at the same time that we are tightening controls.

Mr. RYAN. Right, but is it your opinion that you now have in place specific controls that would prevent that kind of an episode from occurring tomorrow? Meaning, I understand it is going to take you a year and a half or a couple years to get the whole procedure put into place. The culture changed, the interoperability, the data security, all of that. But do you have the right controls in place right now so a worker who takes a laptop home and that gets stolen and the data can be downloaded, do you have the right controls in place today to stop that specific kind of a problem from happening tomorrow?

Mr. HOWARD. In other words, sir, to prevent the downloading——

Mr. RYAN. Yes.

Mr. HOWARD [continuing]. From a remote area?

Mr. RYAN. Yes.

Mr. HOWARD. Not yet, sir. There is a technology that is in use right now in region four, that is the northeast, that does that. And that is being distributed throughout the country, but it is not 100 percent yet.

Mr. RYAN. When would that technology you are talking about in region four be distributed?

Mr. HOWARD. Sir, we anticipate by the end of this fiscal year.

Mr. RYAN. Okay, thank you.

Mr. HOWARD. And the thing is, sir, to just comment one more point about that. The awareness issue, the culture change, is critical to what you just said. Because even with the introduction of some of these technologies, where there is a will, there is a way. In other words, if someone really wants to do something incorrect they can do that. The awareness part and the culture change and the responsibility of each employee throughout the VA is absolutely critical to solving this problem.

Mr. RYAN. But when I hear you say, "the end of the fiscal year," what you have in place in region four to protect against this specific kind of a problem, that, you are talking about the end of September this will all be in place?

Mr. HOWARD. For that particular, controlling the downloading of critical information and eliminating devices from being plugged into the VA network, inappropriate devices.

Mr. RYAN. Why does it take that long?

Mr. HOWARD. Sir, one reason is we are dealing with a very highly decentralized organization. And although we just recently centralized information and technology, it was as I said very decentralized in the past. And as a result, there are all kinds of devices that were purchased out there. For example, just computers alone, there are all kinds of different types of computers. And when introduce a fairly rigid technology into that kind of an environment you do have to be careful to make sure the computers will accept the technology, that the network will accept the technology and not shut down and not be overloaded. That is why we have got to be very careful as we move forward. Because particularly in the health arena we cannot afford to have a hiccup in any of that. We are very careful, testing is going on. We are using region four in the northeast as our test bed in fact. And there are a number of these technologies. You know, we could share with you how we are approaching some of that. But there is an extensive amount of effort going on to introduce an array of activities. You know, it is not just one particular thing. It is not just encryption alone. It is control over the network, it is control over the ports and the computers, a variety of activities that need to be put in place.

Mr. RYAN. Well, I will just close with this. If you could keep us in writing up to date on this. Let us know if you are meeting benchmarks, let us know when this first round of protections have been implemented. And I would sure like to know if you are going to slip past the end of September deadline.

Mr. HOWARD. Sir, we can share with you those near term activities along with long term activities. For example, a lot of what we are doing now, as I say this is this fiscal year. But we have also got follow on activities that will take place well beyond that, that will even improve things even more.

Mr. RYAN. And keep us posted as you are doing this.

Mr. HOWARD. Yes, sir.

Mr. RYAN. Thank you, I yield.

Chairman SPRATT. Thank you, Mr. Ryan. Mr. Edwards of Texas.

Mr. EDWARDS. Thank you, Mr. Chairman. Secretary Nicholson from my vantage point as the Chairman of the VA Appropriations Subcommittee I want to thank you not only for your distinguished combat service to our country in Vietnam but for your lifetime of service which you are continuing in this position. And I know over the last several years since you attained this position you have been an aggressive voice for veterans and initiated a lot of new positive programs for medical care and other services for our vets, and I salute you for that.

I want to get, for the record, some budget numbers. And I want to make it clear that we all understand that these budgets are not put together by the VA administration. The OMB bean counters are the ones who eventually sign off on these and force budgets that none of us would ever approve. But I want to get down for the record a few points. As I understand it, you are asking for $36.6 billion for VA medical care services for fiscal year 2008, is that correct?

Secretary NICHOLSON. That is correct, sir.

Mr. EDWARDS. For 2009, what does the budget request for VA medical care services?

Secretary NICHOLSON. It is not a request.

Mr. EDWARDS. But what is in the five-year budget? What is the estimate for 2009 fiscal year for VA medical care services?

Secretary NICHOLSON. The estimate is $34.5 billion.

Mr. EDWARDS. $34.5 billion? So that would be a $2.1 billion cut starting October 1, 2008 in VA medical care services. Now, that does not take into account, well let me get for the record. You assume this year a 4.45 percent medical care inflation just to maintain present services, given the extra costs for healthcare supplies, salaries, is that a correct number?

Secretary NICHOLSON. Yes, sir. That is the inflation plus payroll, 4.45 percent, yes.

Mr. EDWARDS. Okay. And you are projecting 2.4 percent increase in workload, or in effect net number of new veterans coming into VA healthcare system. So you need extra money just to maintain present services for each veteran, given you have an increase in population. Is that correct?

Secretary NICHOLSON. Yes, sir.

Mr. EDWARDS. Okay. So for the record, let me just say this and I am not going to ask you to respond to it, Mr. Secretary. But for the record, if the Congress were to follow the OMB recommendation and to fulfill the President's budget request for veterans it would require the most massive and unprecedented cut in veterans healthcare services in American history. It would be over $2.1 billion cut before you considered the 4.45 percent increase inflation for maintaining present services for healthcare and that would not take into account increase in number of veterans going into the system. And I want veterans in this country to know that is not going to happen. Congress is not going to support it.

But I want to send a message to the bean counters at OMB, when they brag that we can easily balance the budget by 2012, protect every tax cut we passed, fund the War in Iraq and Afghanistan, they should also have the integrity to say they stand behind their recommendation that we would have the most massive cut in veterans healthcare services in the history of America. They cannot have it both ways. They cannot ask the press to say we are going to balance the budget by 2012 in a responsible way and then run from their own numbers, which would require millions of veterans to have their healthcare services cut, perhaps cause hundreds of thousands of other veterans not to get their healthcare. And I am not going to ask you to comment on that, Mr. Secretary, because I know how the system works. And I know the recommendations for 2009 did not come from the VA. But I am tired of letting the OMB counters get a free ride, bragging about how they are going to balance the budget responsibly, but there is nothing responsible about having a $2 billion cut in fiscal year 2009 for medical care services.

That also touches on a debate, Mr. Secretary, I will not drag you in the middle of but it is a debate we have in this Committee often, about when is a cut a cut. And there are some who would say if you provide one additional dollar for 2009 compared to 2008 for VA healthcare you have increased funding and therefore you have not cut veterans healthcare. I think that is disingenuous because if you added one dollar from 2009 to the 2008 VA healthcare budget, you

would be facing $2 to $3 billion in cuts in present services for veterans because of healthcare inflation, increase in population of veterans. So, to those of my colleagues that say, you know, we are being disingenuous when we suggest a one dollar increase in the VA healthcare budget in 2009 over 2008, I would say that a cut is a cut when hundreds of thousands of veterans would not receive the healthcare that our nation promised them and the healthcare that the nation delivered to them in the year before.

Mr. Secretary, the one question I want to ask you is this. I met with several veterans recently who have formed a new Afghan/Iraqi War veterans organization. And they told me that in the post-deployment questionnaires and surveys there have been thousands of our servicemen and women who have requested mental healthcare services. And the vast majority, well over 50 percent of those, have not received a call yet. I do not think this was the fault of the VA because I assume this was still within the Department of Defense healthcare system. But I know you interact with them. And if that in fact is true, or those numbers are even close to being true, I think it is shameful that thousands of our Iraqi and Afghan War vets have asked for mental healthcare and have not received any response, no appointments with doctors, nurses, psychologists, psychiatrists. Can I just ask you for the record, have you heard about this concern? Or has the Department of Defense mentioned this problem to you? Because if it is true then it will eventually be a huge problem for the VA. But I would like to see if we can address it in the supplemental bill if we can get the facts on the table. Can you shed any light on this situation?

Secretary NICHOLSON. I cannot confirm that proportion, those percentages, Congressman Edwards. But I know the GAO mentioned it in a report on the Army. And so we know that there is a disconnect occurring there. I think I very recently testified I had a meeting with the Deputy Secretary of Defense to talk about better communications. And that has begun. We are getting better information now on both the sessions and the people they are getting ready to discharge, which is very helpful to us in anticipation. This is another area that needs to be improved upon. And that is underway.

Mr. EDWARDS. Okay. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Chairman SPRATT. Mr. Barrett of South Carolina.

Secretary NICHOLSON. Excuse me, Mr. Chairman? Could I just make one more comment on something that we are finding out about that, that for your information, Mr. Edwards, in discussion with those people. And we do not have a solution to this yet, either. But we find that a lot of these young people who are experiencing these reactions to having been in that dangerous condition, combat 360, are reticent to come forward and to have it recorded in a medical record of some kind because they feel that there is some stigma that attaches to this. And we, in our outreach efforts when we do these post-deployment screens and so forth, are trying to inform them and their families and their community of people, including their employers, that this is not uncommon. This is a common reaction to a very uncommon experience. They are not losing their mind. There is no fault. If we are allowed to treat them early

enough we can make most of them whole. And so we are really encouraging them not to be inhibited by this stigma.

Mr. EDWARDS. Right. I thank you for that. And I would just add a final footnote that because of that outreach if the Department of Defense is not doing its job in following up and providing appointments with physicians with these veterans who have pleaded for it, with these actually active duty and Guard and Reserve members, then the word is going to get out. You overcome the fear of the stigma, you finally do fill out a questionnaire honestly asking for help, and then you do not get it. I am afraid it is going to discourage other veterans coming back from the wars to ask for that help. But thank you for your leadership, and I will look forward to following up with you on this, see if we can work with DOD to do something, perhaps even in the supplemental.

Chairman SPRATT. Mr. Secretary with your indulgence, we would like to pause for just a moment for a brief piece of housekeeping business that needs to be done. And I yield to the gentleman from Wisconsin, our Ranking Member Mr. Ryan, for a unanimous consent request.

Mr. RYAN. Thank you, Mr. Chairman. Mr. Chairman, I ask unanimous consent that the Committee approve Andrew Morton's service in the capacity as independent consultant to the House Budget Committee Republican Staff. He meets the requirements to act as an independent consultant as set forth by the Committee and House administration and applicable statutes.

Chairman SPRATT. We have a letter here to the Committee on behalf of Mr. Ryan, it is my understanding that you have secured the approval of the House Administration Committee for this employment, which will be for a course of one year unless renewed. Without objection, unless there is objection, the unanimous consent request is agreed to, as well as requesting the consulting contract will be made a part of the record. This will be a consultant to the Republican Staff for the Committee. Hearing none, it is all approved by unanimous consent.

Mr. RYAN. Thank you.

[The attachment of Mr. Ryan follows:]

UNANIMOUS CONSENT REQUEST BY MR. RYAN FOR THE HOUSE BUDGET COMMITTEE TO APPROVE AN INDEPENDENT CONSULTANT

Mr. Chairman, I ask unanimous consent that the Committee approve Andrew Morton's service in the capacity as independent consultant to the House Budget Committee, Republican staff.

Chairman SPRATT. Thank you very much. And now, Mr. Barrett is not here. Mr. Garrett?

Mr. GARRETT. Thank you, Mr. Chairman. Thank you, Mr. Secretary. I appreciate the questions of the Ranking Member earlier. I will not be redundant on those, they already covered some of the points. I would like to thank the Secretary, though, for your service to the vets of this nation. I would like to also thank you personally for during your tenure traveling up to my neck of the woods, the great state of New Jersey, the fifth congressional district, and spending some time up there. You may recall you had the opportunity to travel up and visit the Paramus Veterans Home. And the men who were there were sort of shocked to see you there, but very

pleased to see you, had the opportunity to engage in conversation with you. So I appreciate that.

While there and through our discussion there, we were able to point out some of the advances that are being made as far as some safety improvements that are being made to that particular facility to enhance the conditions from a safety point of view for the men who are in that facility, and who will spend their lives there now. One aspect that we were able to touch on a little bit that was not able to, we are still working on, it is something not from a safety point of view although you might put it in that category in some definition is for the fact that these people spend their entire day, twenty-four hour, twenty-four seven there, and need recreation as well. And so we are looking to have expansion of what we call a day room for exercise, and done in a way that we are actually not just looking to the VA but outside organizations are stepping up to the plate to help as well, to help underwrite and fund these programs which I think is a good joint effort. We just look to you to see that the hope that the VA continues but a priority in the construction and grants funding for programs that are not specifically safety in nature, but are also life critical. And that is in the area of the environment and the recreation for the gentlemen there. And if you just want to, I will just let you comment on that if you see the importance of those aspects in addition to simply the safety aspects of these facilities?

Secretary NICHOLSON. Well, we do consider that important. We of course have to prioritize for, you know, life safety and medical support needs. But we agree. In the long term care environment we try to be as holistic as we can. We coordinate a lot of volunteers into those centers and, you know, the things that go with that: trips, outside stimulation, so forth. And the recreation part of it is very important.

I might add parenthetically, I was visiting a long term care facility here in the North Washington VA Center and a little lady in a wheelchair with one leg said, "Hey Secretary, how old do you think I am?" And I guessed. I said, "Oh, I think you are about seventy-five, ma'am." She says, "I am ninety-five and I want to go to Atlantic City." And it turned out she was, she is now 100. She was ninety-five and we, I organized a little thing and we got a van with some of the other colleagues, and she went up and had her, what she said was her final wish. She is still kicking and she still wants to go back again. But she went to Atlantic City.

Mr. GARRETT. Well, we appreciate New Jersey for Atlantic City. The second question is, with regard to cemeteries. On federal cemeteries, correct me if I am wrong, if a servicemember or a spouse was to be buried in a federal cemetery then there is no cost to that soldier or his spouse. If he wants to be, if he or his spouse want to be buried in a state cemetery there is a minimal cost, or some cost to the individual, to the soldier, but there is no subsidy, if you will, the spouse has to pay their total fee to go into a state cemetery is my understanding. My question to you, if I understand that correctly, would it not be a true cost savings in long term, because a state cemetery pays for all the additional costs of maintaining that cemetery down the road, if the VA could just supplement just to the extent of a few hundred dollars or whatever that they pay

for the soldier for the spouse to go into that? Because at that point the spouse would never be, there would never be a cost to the VA in the future for that spouse had that spouse decided to go into a federal cemetery.

Secretary NICHOLSON. Well, I appreciate the question, Congressman. As you know, the plots are there and they are there without cost. Those details I am going to defer to Under Secretary Tuerk to respond to.

Mr. TUERK. Yes, thank you Mr. Garrett. I am glad to respond to you to the extent that I can this morning.

Mr. GARRETT. Okay.

Mr. TUERK. And we can supply additional information. You are correct, in a national cemetery there is no charge to anyone who is eligible for burial there. In the state cemeteries, however, we leave it to the states to determine whether they are going to charge a fee for a spouse. I am not personally aware that New Jersey charges a fee. Apparently that is the case. As I said, we leave that to the states.

Mr. GARRETT. Well, I would just encourage you to take a look at this, whether there would be a cost savings overall. Because now if a New Jersey resident who obviously is defending not just New Jersey but is defending the entire nation when they are a soldier is buried in a state cemetery, the spouse has to pay upwards to $500 I believe or more for internment. And then the state is picking up the cost, as I said before, for the perpetual care of that site. Whereas if they had chosen to go to a federal facility, the federal government would be responsible for both ends of it, for the internment plus for the perpetual care as well. We see this as a way to encourage people to remain where they want to be, which is back at home in their own state facilities, and decrease the overall cost. And also decrease the need, as there is an apparent need now, for additional federal cemeteries for our soldiers and their spouses as well. So I encourage you to take a look at that and I would be glad to discuss it with you.

Mr. TUERK. I would be happy to. I will talk with your staff, Mr. Garrett, and we will get back to you with information on that question.

Mr. GARRETT. Thank you so very much.

Mr. TUERK. Happy to do that.

Chairman SPRATT. Mr. Cooper?

Mr. COOPER OF TENNESSEE. Thank you, Mr. Chairman, thank you, Mr. Secretary. I would like to yield my five minutes to the person I think is the only member of this Committee who has actually worked in a VA hospital, Mr. Baird of Washington State.

Mr. BAIRD. I thank Mr. Cooper. I would rarely ask for this, but I have to go to another mark up. And having worked in the VA and specializing in traumatic brain injury, I really wanted to take the chance to ask you a few questions if I might.

And I want to respond to my good friend, the Ranking Member from Wisconsin, who asked about the 2005 shortfall. A brief story about that is in order. I, along with my colleague Ms. Hooley from Oregon, in late 2004 began to ask our local psychologists and other health professionals at our regional VA, "Do you have the resources you need currently to treat the current veterans? And with reason-

able anticipation of certain incidence rates among the incoming returnees, have you plussed up your budget and staffing levels to meet that?" The answer was deeply troubling. The first answer was, "Congressman, if I tell you the truth I will lose my job." That is a true story. Federal employees telling an elected representative of the people that if they told the truth they would lost their job. Secondly, the answer was absolutely not. "We do not have enough to meet our current needs and we do not have any projected increase proximal to what we are going to need."

In response to that Ms. Hooley and I tried to offer an amendment to the then emergency supplemental to add $1.5 billion, which we estimated and veterans groups estimated would close the anticipated gap. We were not allowed to offer that amendment when the supplemental came up, and the office administration position is, "You do not need to because we are going to meet the needs." Six months later, sure enough, there was the shortfall revealed, as the Secretary said.

So my first question, Mr. Secretary, and I know this may not have been on your watch initially because you came on right after that. Would you without any hesitation say that a staff member of a VA who responds honestly to a request for information from a member of Congress that does not violate confidentiality restrictions will not be subject to dismissal if they answer the question honestly?

Secretary NICHOLSON. I will unequivocally answer that and say absolutely not. One, because that is the way it ought to be. But two, it would not even be possible to dismiss them. I mean, I have people that we were talking about these data breaches, some of which are pretty flagrant, and I find my hands very tied in taking discipline action against them for that, let alone someone that decides to speak his or her opinion.

That happens, by the way, all the time. I was just on this television special and had several members of the VA interviewed that had a view of some things different from I and they were not a bit inhibited about saying it.

Mr. BAIRD. Well, I will tell you, Mr. Secretary, I spoke to a half dozen Phds, MDs, nurses, and others, all of whom gave me the same answer. So when your model falls short, because the reason the model falls short in estimation is the people who are on the line providing the service are not included in that and they are intimidated. I will just put that out there.

Second question, that same issue arises, though, as we look at the current budget. As we look at the projected incidence of certain issues, like traumatic brain injury, Post Traumatic Stress Disorder, etc., you said earlier we have good capacity to meet Post Traumatic Stress Disorder. I do not hear that from the people in the field. When you say good capacity, have you done incidence calculations to determine what is the percentage of normal incidence of returnees and what capacity do we have to meet that? Because I am not seeing that. I certainly am not seeing it on the ground.

Secretary NICHOLSON. I am going to ask Dr. Kussman to give you more of a refined answer. But I will give you some numbers of, you know, the returnees from the War, we see in the vicinity of 210,000 of those that have come back and have been separated.

And of that number I think it is 73,000 that we have screened have mental health issues. And continuing the diagnosis that we do with those people we have concluded that 39,000 should be in treatment for Post Traumatic Stress Disorder and are.

Mr. BAIRD. Well, let me, because I am going to run out of time here, ask three things. Can you give me some more details about what it means to be in treatment for Post Traumatic Stress in terms of frequency of visits, waiting time to access that? That would be question one. Question two would be when you make your long term cost projections, and I think Mr. Edwards was very articulate about this, having worked in TBI, that was my specialty, was traumatic brain injury. Some of these folks are going to need long term care and vocational rehab. They are going to need emotional support for their families. The data suggest people tend to have fairly positive recoveries immediate post-injury, then four or five years out is when things begin to fall apart for their families and themselves as the recovery rate is plateaued. So I am interested in long term costs for TBI. And then the final question I would like, could you provide members of the Committee some estimate of the additional cost to the VA system resulting from the Iraq conflict? Just the Iraq conflict? You know, I am not asking for that now. But I think when we hear the cost of this War I am very interested in what the additional cost of this system would be if we fully met the needs of the veterans for the projected future. In other words, the lifetime of the veterans, what is the full cost of this War going to be for that?

And I thank the gentleman for yielding the time, and obviously I care passionately about this having worked with our soldiers in the VA.

Secretary NICHOLSON. We will attempt that. But I would like to be able to get with you to get some more particularity about what that would mean.

Mr. BAIRD. Sure. I would be happy to do that.

Secretary NICHOLSON. Thank you.

Chairman SPRATT. Mr. Hensarling?

Mr. HENSARLING. Thank you, Mr. Chairman. Welcome, Mr. Secretary. It is good to see you again. We have known each other for a number of years, and let me add my voice to those who want to congratulate you for your continued service to our nation.

I really want to start out with a statement, and hearken back to something our Ranking Member, Mr. Ryan of Wisconsin, said. And that is unfortunately that now we do not agree across the aisle in this Committee. But I think if there is one thing that we would agree on is that it would be more difficult to find a greater moral obligation of this country in this Congress than to ensure that our veterans have the best healthcare in the world, period, paragraph. And we clearly want accountability. We do not want waste. And we know it is not how much money you spend that counts, it is how you spend the money.

We will debate in this Committee and in this Congress where that money ought to come from. Some will want to pass debt on to future generations. Some will want to increase taxes. Others will try to find it in lower priority spending. That is personally my own preference, but I do not think anyone in this Committee would

offer a greater priority. And so clearly when you see stories like you saw on the cover of Newsweek they are disturbing. Simply because I see something in print does not mean I accept it as gospel, but it does want me to ask some serious questions.

So I think you said that in your opinion today, that the VA is the world's leader in spinal cord injuries and Post Traumatic Stress Disorder injury, but yet the traumatic brain injury is an evolving area. What is it going to take to make sure that the VA does become the world's leader in this area?

Secretary NICHOLSON. Well, that is also a goal for the obvious reasons of the patient base that we have and we will have to serve that affliction. So we are going to continue the research that we have ongoing with it, both in concert with DOD, as I said we have that research center. And we are going to continue and be able to do all the research on the clinical work that we are doing because we have patients that we are treating for this. And we have an outstanding group of doctors involved in it. There is a Dr. Scott in our Tampa Polytrauma Center who is one of the leaders both as a clinician and as a researcher and visionary in this area. There is a commitment to this and we have, we are excellently positioned to do it.

Mr. HENSARLING. Mr. Secretary, over the recent recess I had the occasion to meet with veterans in Kaufman, Cherokee, and Wood County Texas, mainly Korean, Vietnam era veterans. It is a most unscientific survey. But I wanted to let you know that with one or two exceptions they are very, very pleased with the healthcare that they are receiving at various Va facilities in east and north Texas. The same has not always been true from the feedback I have received from those coming back from Iraq and Afghanistan. I saw a statistic recently, and like a lot of statistics that cross my desk, sometimes they are apocryphal in nature so I do not know where I received this one. But I read that in Vietnam the ratio of those who were wounded to those who died was three to one, and now it is sixteen to one. Which I suppose means we have a far greater number of wounded veterans that we are dealing with, and better to deal with a wounded veteran than a deceased veteran. Is that part of that challenge to some extent? Are we victims of our success?

Secretary NICHOLSON. I think it is. It is clear that many of the people that are coming back now alive from this conflict would in all previous conflicts be coming back in a body bag. And, you know, that is the good news. And then the challenge is to take care of them and try to reconstitute them and their life to the extent that we can. And I am also very proud of the VA and I am proud of the DOD facilities and what they are doing in taking care of these people and restoring, putting a lot of ability back into, you know, what appears to be initially mostly disability.

Mr. HENSARLING. I see I am out of time. Thank you.

Chairman SPRATT. We have a vote in ten minutes and fifteen seconds. What we are going to try to do is to carry on to the hearing down to about the five minutes point. We will then run over, vote with your indulgence Mr. Secretary. I am sorry, but this is the nature of this institution, and we will be back as quickly as possible. We may have two votes, otherwise we would go in shifts, but

I think we may have two votes. In the meantime let me recognize Mr. Boyd of Florida.

Mr. BOYD. Thank you, Mr. Chairman. And Mr. Secretary, let me join the others who greatly admire and respect your service to this country. Many of us know of the long history of your service to your country, and we are grateful, and you have heard me say that before.

I have got a couple of things I wanted to ask. First, I think I will start with Dr. Kussman. Dr. Perlin, your predecessor, came to North Florida. This really has to do with the CBOCs and how we are coming with the long backlog list that we have. He came last year down and visited North Florida to visit some clinics that you have there, and also look at the sites that we had picked out for another clinic. And at that point in time we had been donated a building that only had to have a little bit of rehab done on it, that would have cost the Veterans Administration about $50,000. That now is no longer available, and we are not sure what it will cost. But can you give us an update on the CBOC list and how we are progressing with that?

Secretary NICHOLSON. Well, I will take the 30,000 footer on that, Congressman, and ask Dr. Kussman if he has something in particular with your case. But at the end of fiscal year 2006 we had 717 CBOCs that were open, and that included eight that were open or expanded in 2006. In this current fiscal year we have twenty-four that have been approved for going into operation. And in this budget that we are here presenting to you today for 2008 we have twenty-nine in that plan.

Mr. BOYD. But that would be twenty-nine new ones?

Secretary NICHOLSON. Yes, sir.

Mr. BOYD. I am not talking about improved. I am talking about new facilities.

Secretary NICHOLSON. Those would be new, yes sir.

Mr. BOYD. And none in 2007, is that correct?

Secretary NICHOLSON. No, in 2007 we have twenty-four.

Mr. BOYD. That were improved, you said?

Secretary NICHOLSON. That is approved.

Mr. BOYD. Oh, approved.

Secretary NICHOLSON. Approved.

Mr. BOYD. Oh, I am sorry. All right, thank you sir. Mr. Secretary, let me also say that the Chairman asked early on that the demands for health services would increase in out years, and your quote was, "We are focused on the 2008 budget." And then you went on to explain that the budget numbers that we have before us for the out years are not really reflective of what you think the demands will be. Is that a paraphrase of what you said?

Secretary NICHOLSON. That is correct, yes sir.

Mr. BOYD. So I would assume that given that, that when the administration officials, OMB officials come before us and tell us they are going to balance the budget by 2012 with the proposed budget that we see in front of us, that they are really misleading us. Would that be accurate?

Secretary NICHOLSON. No, I would not characterize that way. What I would say is that those out year numbers do not have the benefit of our projected needs at the VA.

Mr. BOYD. Okay. Mr. Secretary, you have a great deal of influence with the folks that run the administration. We all know that. You have heard me say to you before that we have some very difficult fiscal issues that this Committee is trying to deal with in a very responsible way. And the thing that we really need to do to be able to solve these long term problems is to talk straight with the American people and the folks who represent the American people. And I guess that is the biggest problem I have with this budget. I personally think that under your administration that the Veterans Administration services have improved. I see it and hear it in the district and the folks that I represent. But I think long term, if we are going to be honest with each other about how we deal with the numbers that have been reflected, been talked about by everybody here, including Mr. Hensarling who said that the number of sixteen to one wounded to killed when it was three to one when you and I were in Vietnam. The numbers have changed that much, we have got probably over 50,000 veterans, then, out there I assume being in treatment in the VA system. So, you know, we cannot solve these problems unless we can talk straight with each other. And I know you do not want to comment on, or I do not need you to comment on it, but I just wanted to make that point.

Thank you, Mr. Chairman.

Chairman SPRATT. Mr. Secretary, for about ten or fifteen minutes now the Committee will stand in recess subject to the call of the Chair. Thank you for your indulgence.

[Recess]

Chairman SPRATT. The Committee will be called to order and we will reconvene the hearing we just adjourned. And next in line on the Republican side is Mr. Porter of Nevada, who is not here yet. Mr. Alexander of Louisiana? Mr. Smith of Nebraska? Mr. Tiberi, I beg your pardon. Mr. Tiberi of Ohio.

Mr. TIBERI. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here. Thank you for your service as well. It is very much appreciated, as others have said. And I was here late because I had another committee meeting and I apologize if my questions are going to be duplicative. But on a personal note, I want to thank you for coming out to central Ohio last year and visiting with local veterans and coming to a new CBOC that opened up last year in Newark, Ohio just east of Columbus. And also visiting the construction site of what is going to be fabulous facility for veterans in Columbus, the new ambulatory care facility. And want to compliment you on your leadership on both accounts. And also your continued leadership on working with local hospitals to provide for veterans an opportunity to have long term care there that the hospital will not provide with local hospital so they do not have to go to Cleveland or Cincinnati or Dayton. So thank you very much on behalf of the veterans of central Ohio for your leadership.

Another issue that we talked about, I know was on your radar screen, that I want to also encourage you to continue to pursue is that as you are aware the claims office in Cleveland has been one that has been very behind in its claims for veterans. And we continue to work with your local office there in central Ohio and in Cleveland, the delegation does, to try to make sure that we can

have a more timely process for veterans. And especially as Senator Voinovich has pointed out in the coming years when you have a number of people retiring in that Cleveland office who have been of great value to the VA will make a bad situation worse. So I appreciate you being concerned about that.

Since I came to Congress in 2001 we have spent over 50 percent more in VA spending. I know spending alone is not going to solve all the problems at the VA, Mr. Secretary. Can you touch on other things that you all are trying to do? I know when you came out to Columbus you pointed to a national magazine article very proudly about the VA's medical care being recognized for its top rate care. But what other things are you doing, your leadership at the VA since you have been there, to try to accomplish more for veterans?

Secretary NICHOLSON. Well, how much time do you have?

Mr. TIBERI. A couple minutes.

Secretary NICHOLSON. Because everything that, I mean, we are doing is we are trying to do for veterans and do it better, and I do not say that lightly at all. Let me just mention, in terms of some things that are not real expensive that do not get a lot of attention. But one of them is an initiative that I have kicked off which is called MRSA initiative. MRSA stands for methicillin-resistant staph aureus, which is infections in hospitals. And we ran a pilot in our hospital in Pittsburgh and discovered that we could make considerable improvement using just common sense sanitation techniques. They seem so self evident, but they do not do it. It is kind of like, you know, these cultural things. We cut staph infections in that hospital by 70 percent in one year. So that is conclusive to me so I have instituted that throughout the entire system. The cost of that is about $20.5 million. Most of that is to buy a culture reader, it takes two days now to read a culture. What you do is, you swab people when they come in in their nasal passages to see whether they are positive or negative. If they are positive then we treat them in a special way, which cuts down exposure. That is now system wide.

Another is trying to retard the epidemic of diabetes that we have in our veterans population. One out of five of our veterans have diabetes. And most of it is Type 2, adult onset diabetes, meaning most of it was preventable, is preventable. And 70 percent of our veterans are obese. So I have instituted a big movement. They just yesterday filed some pieces for this that we are putting out. All they have to do is a modicum of exercise and change in their diet, and it can make tremendous effects on their health. Thirty minutes of aerobic exercise three times a week, which is just walking. That is costing us virtually nothing and can have great effects.

We have enhanced our performance standards in measurement of our hospitals' performance, and we have added some new criteria to that. This is a wonderful management tool, because it not only gives you an assessment of how that hospital or that medical facility is doing, but it is also a big barometer that we use in exercising something I think the government was very inspired to do, which is to give CEOs of organizations, like I am, the right to give bonuses to these people. And that is a very clear criteria that we have to measure, whether they are worthy of a bonus or not. How are they performing out there? Those are examples.

Mr. TIBERI. Thank you. Thank you, Mr. Chairman.

Chairman SPRATT. Thank you. Mr. McGovern?

Mr. MCGOVERN. Thank you, Mr. Chairman, and thank you Mr. Secretary. I appreciate your testimony. I appreciate your service. I also am grateful to your under and assistant secretaries who are here and all your staff. I appreciate their work. I appreciate the work of the many hardworking doctors and nurses and healthcare providers. And the vet centers in our communities, who are dedicated to helping our veterans. But I am, you know, I want to add my voice to some others here today who have expressed concern as to whether or not we are adequately meeting the needs of our veterans. I appreciate your testimony and the citations of the statistics of who we are treating, and of who you are reaching out to and who you are getting to. But what I am not clear on is: who we are not getting to? And who are falling through the cracks?

A couple years ago I was at a town hall meeting in Massachusetts and had a father stand up and tell me a story about his son, who volunteered and went to Iraq because he was moved by the speech that President Bush gave at the outset of this War. And he came back and according to his father, he was given inadequate care by our country. That notwithstanding records that show where he told VA officials that he intended to end his life, he was released. And then a short while later, he committed suicide. And I did not know what to tell the father. But the point is that there are people that are falling through the cracks. That because of lack of expertise, or because we are not getting to them properly, or because we are not diagnosing what is wrong, we even have people losing their lives when they come back to the United States.

You mention and the Chairman mentioned and others did the Bob Woodruff ABC news report that was on the other night. And there were a lot of telling moments in that documentary, and I cannot go into all of them. But one in particular stood out for me, and that is when it came to traumatic brain injuries, you know, where it was reported that tens of thousands of our veterans are suffering and remain undiagnosed and undetected, which also means they are not being treated. And the estimate, and it is just an estimate, put forward by the doctors in that interview, is that about 10 percent of our troops returning from Iraq and Afghanistan suffer from undetected brain injuries. That is maybe roughly 150,000? Or whether it is that or 50,000, that is still a huge amount. And, you know, this is the result, as you mention, of constant exposure to multiple shocks of explosions of combat even though there were not outward signs of physical trauma. And when these men and women complain to their doctors of headaches or forgetfulness or feeling fuzzy headed, they are ignored. And they often are not diagnosed because as the system is currently put together, there is a lack of expertise in many areas. And so some people go for two or three years until correctly diagnosed and treated, and that is only if they do not get too discouraged to give up.

So when we talk about adequate budgets, I wonder whether or not what is put forward here is adequate enough? And I would appreciate your response to that. And just one other thing, as I am sitting here listening to the back and forth here, you know, this [pointing to budget books] is what the administration sent up to us.

And the President told us that, you know, this is our blueprint and this is going to balance the budget and these are the numbers that we need to follow. And as I am listening to the testimony here you are conceding that with the exception of the upcoming fiscal year you know that the numbers that are contained in this budget are not real. They do not accurately reflect what we are going to need. Yet, you know, when we get to this whole issue of we have balanced the budget, it is these cuts in the out years that are used to get to that figure of balance. Now the problem for us is that in this Committee we do not have the luxury of, you know, of kind of fuzzy math. What we have to do is come up with a budget that actually is real. That will withstand scrutiny. That really does accurately reflect what we are going to need to spend on veterans, you know, not only in 2008 but 2009, 2010, and so on. And so I guess I just want to echo a little bit of frustration here that, you know, while I appreciate your candor and your forthrightness and the work that you have done to improve the quality of care for our veterans, it leaves this Committee in a little bit of a dilemma as we try to figure out how to come up with our budget.

And so I guess my two issues are, you know, the adequacy of what is on the table right now given the fact, and you heard it here through anecdotal evidence, of people on the ground, veterans who are falling through the cracks. The ABC new special the other night about all those who are undiagnosed and undetected with severe brain injuries. And also your comment on how we are supposed to do our job when we do not know what the real numbers are beyond this year.

Secretary NICHOLSON. Well, first Congressman McGovern, let me clarify in response to your question about quoting me as saying that these numbers are not real. What I said, and would repeat, is that that budget, which has a lot of things in it besides the VA, does not reflect the input of the VA for our needs for 2009 or subsequent years.

Mr. MCGOVERN. But that is a nice way of saying that these numbers are not going to reflect what in fact the administration is going to request next year, and the year after. Well, there will be a new administration by then. But the bottom line is that, I mean I guess we look at these numbers. And when you can say we are going to balance the budget, I mean, I am assuming that these are accurate predictions of what in fact the Veterans Administration, or any other agency, is going to need. And so it is a little frustrating when on one hand we are told "we are going to balance the budget and here is how we are going to do it." And I think we all know that the VA is going to need more than is what is in these pages here.

Secretary NICHOLSON. I cannot speak for any of the other agencies. But I can for the VA. And we are in a dynamic situation with a War going on and common sense would tell you that given the base of patients and the demand on this organization that it will need more money. I will say that.

Mr. MCGOVERN. Well, you and I are on the same wave length on that. I guess the other question was about the report on ABC news. I mean, those who are undetected. Those who are undiagnosed, which again, if we are looking at that report, and again it was just

an estimate, that is a significant amount of people that are right now undiagnosed or undetected. Who hopefully we will get better at being able to get to, and I know you are committed to that. But that is a significant number of people that have served our country, and are coming back, and not getting the treatment that they need.

Secretary NICHOLSON. It is. And I will tell you, I have said before, I welcome the input, the oversight of you and the Congress and of other people doing that, the veterans organizations, the IG, the media. Because this is a vast organization with a huge mission. And it is helpful to me to get different inputs, including the criticism although very painful when I become aware of these unacceptable and happily exceptions to the rule of this great organization.

As a result already of what has developed, we are now going to screen every patient, every veteran who comes to us, for brain injury. We have 44,000 nurses and doctors and clinicians out there that are now undergoing training to be able to be capable of doing this. We have developed a drop down menu of a checklist on their computer, because we are electronic as you know, that not only reminds them to do this but details for them the interrogation to make to try to detect this. What the percentage of people who have this is latent or hidden or none, I do not know that. I do not know anybody that knows that.

Mr. MCGOVERN. Could you use more money?

Secretary NICHOLSON. Well, you know, I get asked that all the time. And when you are running a big organization like this I could always use more money, yes. For a lot of different things, not least of capital construction.

Mr. MCGOVERN. Thank you.

Chairman SPRATT. Mr. Scott?

Mr. SCOTT. Thank you. Thank you, Mr. Secretary. Let me first ask, did I understand your previous testimony to say that people coming from Iraq have routine psychological screening? You did not say that?

Secretary NICHOLSON. I am going to ask Dr. Kussman to respond to that.

Dr. KUSSMAN. Thank you, sir. When any veteran of OIF/OEF comes to us regardless of what the symptom is, we have a drop down menu related specifically to PTSD but other potential mental health things. And the primary care person, whoever it is, is required to ask those questions of someone so we can——

Mr. SCOTT. There is some screening of everybody that comes in from Iraq?

Dr. KUSSMAN. Yes, sir, when they come to us.

Mr. SCOTT. To the VA?

Dr. KUSSMAN. Yes, sir.

Mr. SCOTT. Can I get chart number two please?

Mr. Secretary, just for the record, does this chart, I think you have indicated that you agree with those numbers? Those are accurate numbers? Do you have any problem with the numbers on chart number two?

Secretary NICHOLSON. I can agree that they are in the budget, displayed in the budget projections, yes.

Mr. SCOTT. Okay. And does the CBO baseline, would you consider that conservative because it probably underestimates the

number of traumatic brain injuries and psychological problems that returning veterans from Iraq will have?

Secretary NICHOLSON. That is not our estimate, Congressman.

Mr. SCOTT. Those are not your estimates?

Secretary NICHOLSON. No.

Mr. SCOTT. Are your estimates higher or lower than what is on chart number two?

Secretary NICHOLSON. We do not have those estimates for those out years yet.

Mr. SCOTT. Okay. On the appeals for disability, what is the backlog on appeals and how long do veterans have to wait for decisions?

Secretary NICHOLSON. Currently the waiting time is about 177 days. Which includes all claims. We had 806,000 new claims last year.

Mr. SCOTT. I am not blaming you because I know how bad it was before you got there, so you chipped away at it. What is it down to now?

Secretary NICHOLSON. Well, it is down to 177. In this budget, if approved at the level that we are asking, we think we can take it down to 145 days.

Mr. SCOTT. Which would be about five months?

Secretary NICHOLSON. Yes, a little less.

Mr. SCOTT. Can you tell me what priority seven and eight personnel, who are they and what effect the budget has? Is there a lower priority than eight? Is there a priority?

Secretary NICHOLSON. Eight.

Mr. SCOTT. Seven and eight? Who are they and what effect does the budget have on them?

Secretary NICHOLSON. First, who are they? They are people who have served, are veterans who have no service connected disability and they are making, they are working. They are making money. And it is at different levels——

Mr. SCOTT. Seven and eight?

Secretary NICHOLSON. Yes, sir.

Mr. SCOTT. And what, they are usually eligible for services. What does the budget do to them?

Secretary NICHOLSON. Well, currently we are not enrolling eights as of 2003. And I cannot tell you that, they are in, the ones that are in, and we are treating a considerable number of sevens and eights because they were at open enrollment prior to January, 2003.

Mr. SCOTT. And after 2003?

Secretary NICHOLSON. And your question is how much do they cost us?

Mr. SCOTT. No. What happens if somebody is a category eight, they used to be able to enroll, can they enroll now? Do they have to pay extra? What does the budget do to their ability to get healthcare at the VA?

Secretary NICHOLSON. Well, if they are enrolled they are in the system and they are in this budget.

Mr. SCOTT. But if they are not enrolled they cannot get in?

Secretary NICHOLSON. That is correct.

Mr. SCOTT. Let me quickly, I just have a few seconds left. Identity theft, have you ascertained whether or not anyone has been adversely affected by the apparent breaches in information?

Secretary NICHOLSON. Yes. Yes, we have contracted for a service to monitor that. And they are doing that. And to date, knock on wood, we have not any report of an exploitation of one of these breaches.

Mr. SCOTT. Okay. And let me just make a statement. One of the problems with identify theft is nothing ever happens. If somebody steals your identity and runs something on the credit card, the bank eats the loss and forgets about it. Nobody ever pursues the person that did it. I would assume that you would insist on prosecution to the full extent of the law if anybody was found to have misused a veteran's identification?

Secretary NICHOLSON. Absolutely right.

Mr. SCOTT. And do you have an identity theft for medical, not consumer type things? People coming in, using a veteran's id to get medical treatment?

Secretary NICHOLSON. We have not, no. We have a few cases of fraud. Not fraudulent identification, but fraudulent claims. And the IG, I get a report on that every month and there are periodically cases that they have discovered where they have been fraudulent. And most of them have been prosecuted, and the government has gotten restitution.

Chairman SPRATT. Thank you, Mr. Scott. Ms. Hooley?

Ms. HOOLEY. Thank you, Mr. Chair. Mr. Secretary, thank you for your time, thank you for your service. And I think things have gotten better. I have a lot of questions to ask and I will try to do them as quickly as possible.

That first chart we saw today, where it showed from 1984 the amount of money we are spending on each veteran versus what we are spending today on each veteran. You know, it went up three times the amount. The problem is with those numbers, at the same time what has healthcare costs gone up? And how much more costs have been added because of the aging population, severity of the cases and more expensive? So how that figure in with the numbers that we saw right at the beginning?

Secretary NICHOLSON. Well, since 2001, for healthcare alone the increase has been 83 percent.

Ms. HOOLEY. Healthcare costs have gone up 83 percent?

Secretary NICHOLSON. Our requested amount for healthcare delivery is up 83 percent, yes ma'am.

Ms. HOOLEY. And how much of that is healthcare inflation and how much of that are new enrollees?

Secretary NICHOLSON. Since 2001?

Ms. HOOLEY. Yes.

Secretary NICHOLSON. I have to get you that since 2001.

Ms. HOOLEY. Okay.

Secretary NICHOLSON. I think I can answer that for 2008, which is 4.5 percent of that is inflation and payroll. And 3.9 percent is for cost increases in products, pharmaceuticals.

Ms. HOOLEY. Right.

Secretary NICHOLSON. Services that we have to purchase.

Ms. HOOLEY. And new enrollees?

Secretary NICHOLSON. Well, the new enrollees are the product of driving the total amount of money that we are requesting, that we will need to serve the population. The amount of new enrollees is 134,000.

Ms. HOOLEY. Okay. And your World War II vets and your Korean vets, I am assuming are costing, because of the aging population and the complexity of their cases, is also driving the cost up.

Secretary NICHOLSON. You are correct.

Ms. HOOLEY. So, sometimes when we deal with numbers I think it is important that we have all of those things in front of us as opposed to, "here is a set of numbers that went up this much versus what we did, you know, five years ago or ten years ago." Let me talk about appeals and how long it takes in the Portland VA region. We have got over 7,000 pending rating decisions. We have got almost 3400 pending appeals. We have 108 full time employees. So that means each person, no matter what their job is, has 96 people pending cases, the second highest rate to employees in the country. Washington Regional Office has thirty-five per person pending cases, so ours is more than double. And in the past, and I want to know if you have changed this policy, we did not allocate staffing based on pending work or of the ratio of pending work to staff. Instead we allocated staff based on performance standards and timeliness. Well, when you already have the second highest caseload in the United States, it is very hard to deal with the timeliness because you just keep getting further and further behind. And you know, I have got people that have, I mean cannot wait that long for their cases to be decided. I mean, they are waiting way too long and, you know, they need that money to pay for their everyday expenses. So are you changing that policy?

Secretary NICHOLSON. Congresswoman, I am going to ask Under Secretary Cooper if he would respond to those questions.

Admiral COOPER. We are looking at Portland very carefully and are making some changes in Portland. However, part of our looking at allocation of people is how a given Regional Office is doing and we have a brokering strategy where in fact offices which cannot handle the workload they have we in fact get them ready to rate and send them to other offices that have been able to do fairly well and take care of that. So the fact that the numbers themselves are high, or the number of people that you have is not as high as it might be, we attempt to do that through this brokering strategy.

In looking at Oregon, Oregon has improved over the last couple of years. We are, as I say, making moves. But their quality has come up in the last couple years. Their days are still too long, but we are watching that very carefully. But our strategy has essentially remained the same for about the last four or five years. And we are trying to operate the system in a totality, where everybody is able to improve some.

Ms. HOOLEY. Well, I still think you have a problem with timeliness and being judged adding new staff when you have a higher caseload than anybody else in the United States. So I think, I mean, I would like you to look at what I see as a very regressive policy.

Let me quickly add, because I do not have too much time, the current Medcom policy is that all soldiers that, mobilized or de-

mobilized, had a base would go to that base for follow on care. So I think, again, our state which has had a lot of National Guard serve in both Afghanistan and Iraq, they, if they are mobilized out of Georgia, out of Texas, that is where they go for care. And what has happened is, and we do not have any treatment facility in Oregon. So what happens as they return, some of these soldiers and warriors have sort of minimized that anything is wrong. Then they have gone to the VA. But what they are finding at the VA, it is harder to get VA support if they do not already have the documentation in their military medical records. This policy seems unfair to guardsmen and reservists, but it is also unfair to the VA in states where there is a high percentage of National Guardsmen returning from deployment. Those VA's are more heavily burdened than states with an MTF that guardsmen can be treated at without delays in seeing their families. I mean, these guys want to get home to see their families. Can you tell me how much of an effect the DOD policy has had on already overburdened VA facilities? What are your suggestions for handling the problem for troops that would allow them to return home quickly but still get treated for the injuries at the expensive DOD rather than the VA?

Secretary NICHOLSON. Well Congresswoman, several things. One, if any of those people are showing up at a VA hospital and they are not being properly treated, that should not be the case. And that is something over which I have authority and responsibility, that they are eligible for care at a VA hospital for twenty-four months from the time they are deployed back.

Ms. HOOLEY. I know they are. But how much is this adding to your costs? I mean, we have this, is it the responsibility of DOD to pay for them? Or is the responsibility of VA? And how much is that adding to our costs by this happening?

Secretary NICHOLSON. That is our responsibility. That is a right in the law that they have been given. And we project that, and that is in this budget. That I think about 250,000 we project seeing in 2008, and that will be our cost. And we have been seeing them——

Ms. HOOLEY. I mean I think the VA Portland does a great job.

Secretary NICHOLSON. Thank you.

Ms. HOOLEY. I have no complaints other than the long waiting periods, but they are seeing returning soldiers from Afghanistan and Iraq very quickly. But you see, I mean part of it is a DOD policy that is putting an extra burden on the VA.

Secretary NICHOLSON. Well, if you are talking about people that are still on active duty, are you?

Ms. HOOLEY. No, I am talking when they are Guard or Reserve.

Secretary NICHOLSON. Yeah.

Ms. HOOLEY. They come back. They do not want to go back to the base where they were deployed because they want to come home and see their family. So when they go to the VA they do not always have the documentation they need from DOD.

Secretary NICHOLSON. Well, I know that is the case because they have paper records, they get lost, or they are in another location. That to me, though, is not an excuse for treating them and treating them adequately. We can take steps to seek their records. I am going to look on that one. But we are working with DOD much more than we were on issues like this for this transition. And mak-

ing some progress. If they are more remotely located, you know, they can get TRICARE if they are still in an active Guard or Reserve status in a community. Or, and we welcome them, we have a very robust outreach to these people to come into our facilities both for healthcare and for benefits. And we are keeping up with it pretty well.

Ms. HOOLEY. Well, I hope you would also work with DOD to see if there is another way that you can do this. So in fact they can get the paperwork taken care of at DOD and still get the healthcare at the VA without sort of trying to skip that step because they do not want to go back to the base where they were deployed from because they are not going to see their families.

Secretary NICHOLSON. I will look into that. I have not heard.

Ms. HOOLEY. Okay. Thank you very much.

Chairman SPRATT. Mr. Etheridge?

Mr. ETHERIDGE. Thank you, Mr. Chairman. Mr. Secretary, thank you. And I join my colleagues in thanking you for your service, which is long and distinguished.

As you probably know, I have the distinction of representing Fort Bragg and Pope Air Force Base, too. It is kind of hard to say one without the other because of the peculiar nature of it. And when the call goes, they respond. And as a result of that, there is a large population of veterans in my district. And really in adjacent districts. And one of the criticisms and concerns I hear from constituents who applied for VA benefits is in regard to mandatory examinations at VA facilities by VA people.

Now, let me tell you what I am talking about. Because today one of the real big issues we are bumping into is a lot of Korean War veterans and World War II veterans, many of whom have a well documented medical history. And their health gets to the point where they cannot go a great distance to be examined. My question to you is that many of them as they get older and get weak and they are unable to go. Why is there no avenue, and if there is one please tell me what it is, how we can expedite it, for referrals from personal physicians? And especially about those situations that wind up in emergency situations, and dire situations, because as you know if a person is deceased before their eligibility position may be determined, their family are denied benefits. And in many cases it is a widow without means of support in some cases.

Secretary NICHOLSON. I am going to first ask Dr. Kussman if he would respond to your question as I understand it about those people to whom it would be a hardship to come to a VA facility for a physical.

Mr. ETHERIDGE. And in many cases it is a very limited number. We are not talking about a lot of folks, but for those it is very important.

Dr. KUSSMAN. Yes, sir. Both the VBA and VHA work very closely together as part of the benefit package. One not only has to document what the injury was but we do a physical examination to determine whether compensation and pension should be granted. Let me ask Admiral Cooper.

Admiral COOPER. Thank you. When we look at a person we are determining what the disability is. And it is important, particularly these older veterans, that we look at them because as they get

older and age whatever disability they have has gotten worse. So it is important to them that we do that. Secondly, if we ever find out, one of the high priorities we have are those people who are extremely ill, those people who are close to being terminal. And if we find out about it, I guarantee we will do it just as fast as possible. And finally——

Mr. ETHERIDGE. What is the expedited procedure, then? We need to know that.

Admiral COOPER. I would say to you for them to get hold of the Regional Office, which in your case is Winston-Salem.

Mr. ETHERIDGE. I am telling you, it is not working the way it is supposed to be then if it is supposed to be expedited. We need to do some training.

Admiral COOPER. And we are doing training. But then I would say to you, if someone on your staff gets hold of me I will guarantee you that we will do it.

Mr. ETHERIDGE. I will need your phone number before I leave.

Admiral COOPER. Yes, sir. Secondly, I would say to you that a law was passed three years ago or four years ago to address the very thing you talked about. Namely that the dependents, presumably we were not addressing some of these cases that were terminal, and the dependents were not getting anything. And the law was passed that if the claim is in a certain stage of being adjudicated that in fact we continue adjudication and the money will go to the estate.

Mr. ETHERIDGE. But part of the problem is if you cannot get the person there to get the determination you still do not get the benefit.

Admiral COOPER. It is if we are in a certain state of adjudication, you are right. And I would merely say that if there are such things as that let me know and I will personally assure you that we will take care of that. But it is a problem and——

Mr. ETHERIDGE. Let me follow this up. I am going to take every bit of my time to do that.

Admiral COOPER. Yes, sir.

Mr. ETHERIDGE. Let me have chart number four up there if I could please.

Mr. Secretary, I just had one question on this because it deals with the out years. And I noticed in the handout we have it shows a substantial new enrollment fee. What is that enrollment fee? It starts in 2009.

Secretary NICHOLSON. That is an enrollment fee for, it would be category seven and eight veterans. Those are veterans with no service disabilities and who are working, making money but are in the system and being treated.

Mr. ETHERIDGE. Are those ones who are presently in the system? Or new enrollees?

Secretary NICHOLSON. No, they are in, in the system.

Mr. ETHERIDGE. So we are not letting new ones in, but we are charging those that are already in the system.

Secretary NICHOLSON. That is correct.

Mr. ETHERIDGE. So that is not a new enrollment fee. It is a fee to remain in the system.

Secretary NICHOLSON. Well, it is new in that they are not paying it now. And if it were instituted they would. The sevens and eights who are in the system being treated.

Mr. ETHERIDGE. But we are not charging that fee to any other veteran?

Secretary NICHOLSON. No. We are not charging that fee period, now.

Mr. ETHERIDGE. All right. What is that fee?

Secretary NICHOLSON. It is $250 starting for a veteran that is making $50,000 a year. Under that there would be no enrollment fee.

Mr. ETHERIDGE. Okay.

Secretary NICHOLSON And then it is progressive. For veterans making $100,000 it would be $750 a year.

Mr. ETHERIDGE. For those making how much again, please?

Secretary NICHOLSON. $100,000.

Mr. ETHERIDGE. Would be how much?

Secretary NICHOLSON. $750.

Mr. ETHERIDGE. Per year?

Secretary NICHOLSON. Yes, sir.

Mr. ETHERIDGE. And that is a flat fee just to be in the system?

Secretary NICHOLSON. That is correct.

Mr. ETHERIDGE. It is over and above any copay or anything else?

Secretary NICHOLSON. That is correct. Copays for pharmaceuticals would also apply, yes sir.

Mr. ETHERIDGE. I yield back.

Secretary NICHOLSON. Thank you, Mr. Etheridge. Mr. Chairman, could I ask——

Chairman SPRATT. Sure.

Secretary NICHOLSON. I want to clarify one thing and ask Admiral Cooper, would you comment on the fact, we have established these Tiger Teams to take care of these claims applicants that were 70 years old and older. Would you just comment on that?

Admiral COOPER. Yes. We have established a Tiger Team in Cleveland, as a matter of fact. And that Tiger Team, we have been able to bring on retired annuitants and help them to help us to adjudicate claims for people who are over 70 and whose claim has been extant for over a year.

Mr. ETHERIDGE. Mr. Chairman, may I have your indulgence to follow it up? Would you be kind enough to share that with every member of Congress?

Admiral COOPER. Yes, sir.

Mr. ETHERIDGE. I think that would be helpful because I guarantee you every member is having some of those challenges in their offices. And if they could share it and get it to their district office I think it would help a lot of veterans across this country.

Admiral COOPER. Yes, sir.

Mr. ETHERIDGE. Thank you, Mr. Chairman.

Chairman SPRATT. Thank you, Mr. Etheridge. Ms. Kaptur?

Ms. KAPTUR. Thank you, Mr. Chairman, Mr. Secretary, and all of your associates there at the VA. Thank you for trying to do a fine job, sometimes without enough resources and that is why we are here to help.

I have several questions. One is a request. And that is, if you could identify someone within your organization that could work with our office to create an assisted medical housing model in northern Ohio associated with our Sandusky Veterans Home, which is a state home that receives about 40 percent of its funding that is federal. Particularly to help with supportive housing, because there are a number of units there that are not occupied, for veterans who present with neuropsychiatric issues and possibly brain injured veterans that will be coming home to us. It is very hard to work with the VA and connecting the floor that deals with housing and the floor that deals with medicine, and certainly when we have a state home involved. And I would like to really push that prototype model with you, if we could. If you could just send somebody I would sure appreciate it.

Secretary NICHOLSON. I will do that. And ask Dr. Kussman, because that is in his domain, to follow up with that.

Ms. KAPTUR. Thank you very much. Number two, we put a little slide up, I do not know if they can get it up there on the screen or not.

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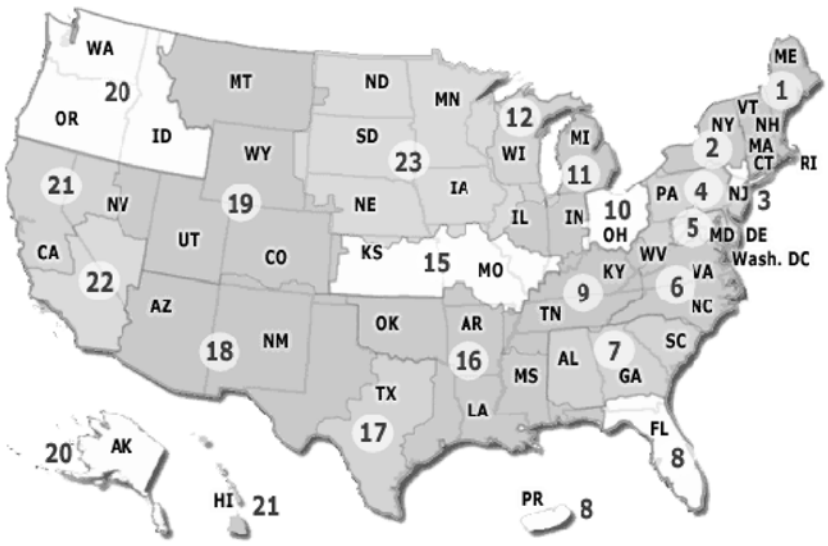
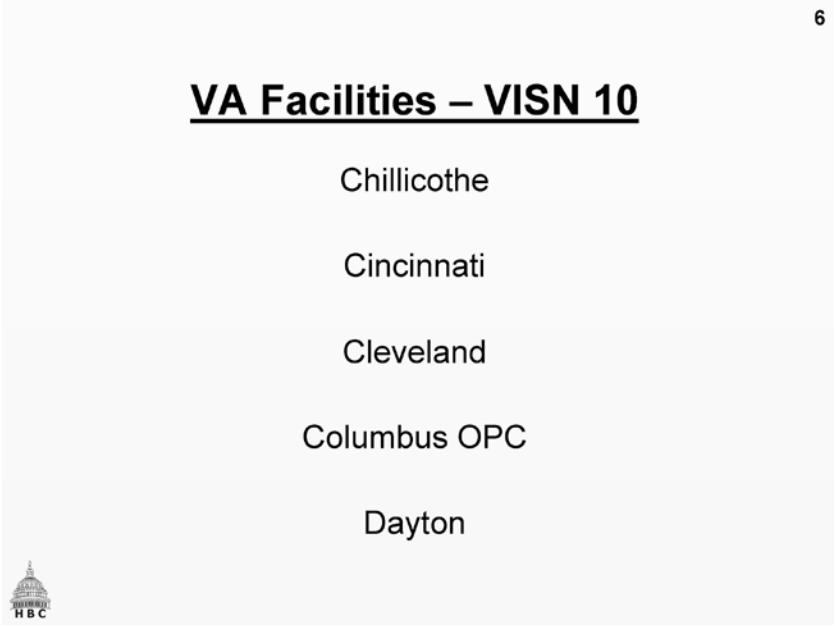


But I represent the northwestern part of Ohio. And we have one of two veterans clinics in America that are not in the state of the mother hospital. So Toledo, Ohio sticks up in the northwestern corner of what is called VISN 10, there. And what I am going to ask you to do is to work with me to figure out how we can change this so that we can be in the state in which our veterans live. The reason this relationship with the Ann Arbor Hospital has existed for years, it is an anachronism left over since post-World War II when our region had no medical hospital. We now have a medical hospital. Actually, it is a graduate medical facility. Our veterans would prefer to go there and to develop an association with our veterans

clinic, which is in the city of Toledo, rather than having to travel all over the place. As I go east in my district, that is okay. We take care of them at Brecksville and over in Cleveland. But in the Toledo area we have got this strange bird. And our goal is to treat our veterans close to home and to find a way to do that. So I would very much appreciate if you could send somebody over, work with us, tell me if I have got to have legislation up here to stick us in an appropriate VISN.

We had another slide that shows the various communities, now there is VISN 10.



They have got Chillicothe, Cincinnati, Cleveland, Columbus, Dayton, which is Ohio. And then if you go up to VISN 11 you have got Ann Arbor, Battle Creek, Danville, Detroit, Fort Wayne, you have got mainly Michigan cities up there. So I just wanted to draw this to your attention and hopefully we can work on that.

And finally, I wanted to move to the neuropsychiatric area, which I know a number of other members have discussed. I have not looked at your budget to know if there is funding in there for the Homeless, Chronically, Mentally Ill Program anymore. Those tend to be underfunded around the country. But I am interested in your HCMI, whether it has been transmorphed or if it exists. I am going to ask you some questions for the record about the number of doctors you have on staff who are skilled in neuropsychiatry as well as psychiatry for diagnosis and treatment. How you organize this set of skills, do you have a chief doc that is in charge of a division that deals with neuropsychiatric issues? What about your peer review groups for research that is done? Do you incorporate neuropsychiatrists on those and what percent of those reviewing are neuropsychiatrists and psychiatrists and psychologists? We know one thing. We know that in our country, 95 percent of those

who are diagnosed with a neuropsychiatric condition, many time complicated by substance abuse, are improperly diagnosed, even by a psychiatrist. With a psychologist we know 98 percent are misdiagnosed. So one of the reasons half the homeless in America are veterans is because those diagnoses are wrong and we have not figured out a way to really help to a greater degree. So I am very interested in how you structure those programs within the VA.

And I want to tell you a story. The commander of the Ohio Military Order of the Purple Heart came into see us here in Washington about a week ago. And he is a partially disabled vet who has worked his whole life. He is a 59 year old Vietnam vet. He said, "Congresswoman," he said, "here is what happened to me." He said, "I recently had a stroke." And he said, "It took the VA six months to pull all my paper together and give me an appointment. Now they tell me it is going to take me another six months to get another appointment. Can you help?" He was so calm. One of his buddies committed suicide. He has attempted it twice himself. And yet, it is going to take six months to get an appointment at a VA facility? Something is really wrong. And so I know the general answer of the VA is, "Well, we will take care of that patient." But that patient, even though it will make me happy to get him proper appointments and everything, represents just the tip of a big iceberg of problems down there at the local level, where we had these extended appointment periods and so forth. So I would like you to comment, if you could, as we get more cases now coming back from Iraq who have neuropsychiatric damage, PTSD, we are not even taking care of our Vietnam vets. How are you structured within the VA to give this importance? Because over half your population presents with neuropsychiatric and substance abuse, do they not? In terms of on any given date in the beds?

Secretary NICHOLSON. Well, I will ask Dr. Kussman to address that specific technical demographic question, if he can. Otherwise we will have to get back to you with that.

Dr. KUSSMAN. I cannot give you a specific number, but, I mean, you are saying 50 percent of the patients that we see every day have neuropsychiatric——

Ms. KAPTUR. That are in the beds. That have either complications of substance abuse or neuropsychiatric as comorbid.

Dr. KUSSMAN. Which beds are you talking about, Congresswoman?

Ms. KAPTUR. VA hospitals.

Dr. KUSSMAN. All of our patients?

Ms. KAPTUR. Mm-hmm, that is my understanding. On any given day.

Dr. KUSSMAN. I would have to, that seems like an awfully large number.

Ms. KAPTUR. Well, let us pull those numbers, doctor. Yes, the first time I heard it I was shocked, too. But let us take a look at those numbers and see what they show.

Dr. KUSSMAN. Okay.

Ms. KAPTUR. And then if someone could get us the organization chart. I do not want a thousand pages, I just want one page, that shows me how you organize your approach to neuropsychiatric and substance abuse issues within the VA. How are you structured to

deal with this at the central office and then as you get down into the regions and at the local level?

Dr. KUSSMAN. Yes, ma'am.

Chairman SPRATT. Mr. Edwards would like to clarify something for the record. Mr. Edwards?

Mr. EDWARDS. Mr. Secretary, this will be very brief because you have been patient and thank you for you and all of the VA leadership for being here today.

Obviously as we work together to try get an adequate budget for VA healthcare for fiscal year 2008, one of the key assumptions is what will be the projected growth of the number of veterans in the system and the net increase in that number. I know no one can predict that exactly during a time of war, but I do want to ask you. I think I heard you say earlier that for fiscal year 2007 we are on a path to a net increase of 3 percent. Is that an accurate recollection? Or could you give me what we project the net increase in number of veterans in VA healthcare system for fiscal year 2007 to be?

Secretary NICHOLSON. I am going to ask somebody to help me. I know what it is for what we are asking for 2008.

Mr. EDWARDS. It is a 2.4 percent, I think you are projecting for 2008, is that correct?

Secretary NICHOLSON. Yeah, it is 134,000 for 2008.

Mr. EDWARDS. Right. So 2.4 percent for 2008.

Secretary NICHOLSON. The total for 2007 is 5,685,000. But that is not giving you the question you asked. You want the net increase of 2007 over 2006?

Mr. EDWARDS. Yes.

Secretary NICHOLSON. If we could.

Mr. EDWARDS. And if you need to give follow up——

Secretary NICHOLSON. If you give us a minute I think we have it.

Mr. EDWARDS. Okay.

Secretary NICHOLSON. It is 219,000.

Mr. EDWARDS. Can you give that to me in percentage numbers in any of your——

Secretary NICHOLSON. Well, it is going to be about, it is 4 percent.

Mr. EDWARDS. About a 4 percent. All right. As I recall looking at the independent budget, as you know, from several veterans service organizations projections for 2008, I think they had gone back and they had a chart that showed over the last five years in the year of the smallest net increase number of veterans going into VA healthcare it was a 4.6 percent increase over the previous year. And the year during that five year period where you had the largest increase it was 5.5 percent. So a low of 4.6 percent, the high of 5.5 percent. I do not know if they use the same assumptions as you do. But they generally have been pretty accurate, and I have been impressed with the independent budget numbers.

And my question is, let us just assume those numbers were correct. So that the history for the last half a decade has been an approximately 5 percent increase in new veterans coming into the system. If we are on a projection of 4 percent increase for the present fiscal year, what in the model allows us to suggest that it

will only be a 2.4 percent increase in net new veterans in the VA healthcare system for 2008? That is approximately 50 percent below what the historical annual increase has been over the last five years. And without getting into all the complications of the sophisticated computer models, sometimes recent history is a better prediction than somebody's mathematical model, as good as that might be. And there may be very understandable factors that would have us go from 4 percent increase this year down to 2.4 percent increase next year. But I do not want to just assume that is correct because otherwise that gets us on a glad path toward underfunding your needs for fiscal year 2008.

Secretary NICHOLSON. Well, again, that model has a very good history of accuracy save for that exception for 2005. And that is what it projected. And, again, the other 15 percent of it was the inputs that we put in for long term care and dental and for CHAMPVA. And with 134,000 projection of new additions to it coming back and off of active duty from the War, we do have a diminishing population of veterans overall in the country.

Mr. EDWARDS. Right.

Secretary NICHOLSON. Because of their aging, on a net basis we are losing veterans every year by several hundred thousand. That is a factor in that model.

Mr. EDWARDS. Right. And I assume the aging of the World War II, Korean, Vietnam veterans probably has counteracted that at least at this point. We are not on a down slope, yet, not seeing a reduced number.

Secretary NICHOLSON. Oh, we are on a down slope of those numbers. Yes, sir.

Mr. EDWARDS. A down slope in the number of veterans, but still there is a net increase in the number of veterans going into the VA healthcare system.

Secretary NICHOLSON. That is correct.

Mr. EDWARDS. Okay, but a down slope in the number of veterans.

Secretary NICHOLSON. Yes.

Mr. EDWARDS. One last question on this. Because this may sound technical, but this is going to be key to Chairman Spratt putting together a budget that reflects the real needs of the VA healthcare system. You say we are on a glad path for 4 percent net increase for this present fiscal year, in 2007. Do you know a year ago or when the administration put together its budget request, what did the computer model project the net increase to be for fiscal year 2007? So we can figure out how accurate it was for the present fiscal year.

Secretary NICHOLSON. I do not know that I have that with me, Congressman. We can get you that. I will say it is pretty close to what we requested and what we got.

Mr. EDWARDS. I would not have expected you to have that in the tip of your fingers today. But if you could provide for the Committee the 2006, and 2005 was a rough year in projections. But perhaps include 2004, 2005, 2006, 2007. Let us look at the track record of what the assumption was when the administration presented its budget versus what the actual reality was at the end of the year. I think that would be helpful for us to judge that.

Thank you. And thank you all for your tremendous service on behalf of our nation's veterans.

Chairman SPRATT. Mr. Secretary, we have had one more member come, Mr. Bishop of New York. If you could respond to his questions we would appreciate it. Mr. Bishop?

Mr. BISHOP. Thank you, Mr. Chairman, and Mr. Secretary thank you very much. I am sorry I have been running in and out. I have been in a mark up of another committee that I am on.

I have just two questions, one of which you have dealt with in one form or another but I want to go back to it and that is the issue of the appropriate level of care and whether or not we are appropriately geared up to deal with veterans with Post Traumatic Stress Disorder. You indicated in response to a question from Chairman Spratt that we had a "good" capacity for treating PTSD. I know Mr. Baird pursued this, but I am drawn to this tragic story of the young veteran in Minnesota who went to the Regional Veterans Affairs Center in St. Cloud and he was told that he was twenty-sixth on a waiting list for one of the twelve beds in the PTSD section of that hospital. And according to state VA officials that number of twelve has been a static number in terms of beds available for PTSD treatment for the last decade. And I am just wondering how that happens. First off, is that accurate? And second, if it is accurate is that an absence of funding? Is it an absence of foresight? I mean, what is the truth there?

Secretary NICHOLSON. I have to be careful responding to that specific case because we have not been given a waiver by the family. It is a tragic case, very sad. I have testified, though, what I can say and have is that young veteran was seen forty-six times by our healthcare providers in Minnesota. And that in Minnesota and throughout the system we have psychiatric inpatient capability and capacity that exists everywhere. And overall, at the time we looked at this systemwide we had 30 percent capacity unused. Meaning, that 70 percent of our beds were taken and 30 percent were not. And we of course for him had that capacity. So that was not the question if it were considered to be an emergent situation. And I have the chief health inspector and the inspector general, and they are both investigating that situation at this time.

The facility in St. Cloud is, one of the programs they have is an inpatient post-detoxification rehab facility for substance abuse. And it is a serial set of classes with inpatient participants. And that was full. And that is the reason that he was put in that queue.

Mr. BISHOP. If I may, I guess the thrust of my question is, it would seem that now we are, you know, several hundred thousand troops have returned home, have been discharged, and the estimate is that at least close to one out of five of them will have some form of Post Traumatic Stress Disorder. So the thrust of my question is, are we about the process of increasing our capacity to deal with those veterans? And if that is the case, is it accurate that the number of beds available in this particular hospital for PTSD has remained static over a decade?

Secretary NICHOLSON. I am going to ask Dr. Kussman to respond. I will tell you that we have, in the system we have over 200 special PTSD programs throughout the system. We are recognized for our expertise in it. We have numbers on those that we are

treating that have come back from OIF/OEF. And I will let him give you more detail.

Dr. KUSSMAN. Yes, sir. Thank you. Obviously PTSD is very important to us. It is a spectrum of adjustment reactions, and clearly someone who comes with any kind of acute urgent or emergent they will get in right away. Otherwise they are put into programs, they are through the primary care or directly into mental health services. The treatment spectrum is all the way from a very acute inpatient, if it is needed, to outpatient services as well. So we put a lot of money and part of our mental health strategic plan was to address this particular issue. We targeted large amounts of money. We have increased the number of psychiatrists and psychologists. There are obviously challenges occasionally in hiring people in certain geographic areas, but it is very important to us and we are looking at that very closely.

Mr. BISHOP. Thank you very much. Mr. Chairman, I did have one additional question. I wonder if you would indulge me to ask one additional question?

Chairman SPRATT. Go ahead.

Mr. BISHOP. I will be very quick. State approving agencies, my understanding is that the current year budget is $19 million. The President's request for next year is $13 million for state approving agencies. And I am just curious what level of service will be, if it is a 30 percent cut or thereabouts, how will we provide the service and maintain the quality control in terms of post-secondary training that veterans enroll for if we are cutting the evaluation agency by 30 to 33 percent?

Secretary NICHOLSON. Let me ask Under Secretary Cooper if he would respond to that.

Admiral COOPER. Yes, sir. That is my program in the education. My understanding is that five years ago it was stated that they would increase it to $19 million, and now in this particular time come back to $13 million. We have been discussing this with various people. The SAAs were in here the other day trying to figure it out. As it stands right now, my group will absorb what has to be done and ensure that it is done properly.

Mr. BISHOP. So the level of service would remain constant?

Admiral COOPER. It should remain the same, yes.

Mr. BISHOP. Thank you very much, and thank you Mr. Secretary.

Chairman SPRATT. Mr. Secretary, Ms. Moore would like to put a few questions to you if we could and we will wrap it up after that.

Ms. MOORE OF WISCONSIN. Thank you so much, Mr. Chairman, and thank you Mr. Secretary for your long suffering through all of these questions. I am so delighted to be here. I am a new member of this Committee, almost member of this Committee. But I am absolutely delighted. Just by way of background, I was in the state legislature for sixteen years before I came to Congress. And my very, very, very first bill I ever passed as a legislator was on behalf of veterans. And so it is a passion of mine.

And during my very first term in Congress I worked very hard to secure $32.5 million for urgently needed upgrades at the Zablocki VA Medical Center Spinal Cord Injury Unit. And we have discussed all morning how we are having more paraplegia and quadriplegia return from Afghanistan and from Iraq. And Zablocki

has one of only twenty-three spinal cord injury units in the country.

I can see that my time is waning, but I just want to point out that it is such a pathetic institution. We have a spinal cord injury unit on the tenth floor. Basically the plan for evacuating the spinal cord injury veterans is to put them between two mattresses and drag them down ten flights of stairs. Just to give you the most dramatic part of the inadequacy of those facilities.

We had this as one of the "earmarks" in the continuing resolution. Now, the VA administration placed this as their highest priority for new construction prior to the continuing resolution being passed. So I just want to know, Mr. Secretary, it is your discretion, I just want to know, the suspense is killing me, is you is or is you ain't going to build this new spinal cord injury unit at Zablocki?

Secretary NICHOLSON. We is.

Ms. MOORE OF WISCONSIN. Yes. Yes! I will yield back.

Chairman SPRATT. Thank you, ma'am. Mr. Secretary, you have been forthright and forebearing, you and your colleagues both. And we appreciate very much the testimony you have provided, the information, your answers to our questions. I want to assure you that our objective is common with yours, and that is to deliver the best possible service that we can to our veterans and to keep the promises we have made to them. To that end we will work together, I can assure you. Thank you again so much for your participation today.

Secretary NICHOLSON. Thank you, Mr. Chairman, members of the Committee.

Chairman SPRATT. Before adjourning, I ask unanimous consent that all members who did not have the opportunity to ask questions be given seven days to submit questions for the record. So we are not through. We are indeed, though, the meeting is adjourned. Thank you again.

[Whereupon, at 1:12 p.m., the Committee was adjourned.]

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